



NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

MBA PROFESSIONAL REPORT

**A Benchmark Study of the Air Force Program Executive Office for
Combat and Mission Support**

**By: Daniel J. Finkenstadt,
Andrew J. Peterson
December 2011**

**Advisors: Rene Rendon,
Bryan Hudgens**

Approved for public release; distribution is unlimited

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE December 2011	3. REPORT TYPE AND DATES COVERED MBA Professional Report	
4. TITLE AND SUBTITLE A Benchmark Study of the Air Force Program Executive Office for Combat and Mission Support			5. FUNDING NUMBERS	
6. AUTHOR(S) Daniel J. Finkenstadt, Andrew J. Peterson				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES) Acquisition Research Program 555 Dyer Road, Room 332 Monterey, CA 93943-5103			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government. IRB Protocol number NPS.2011.0078-IR-EP7-A.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited			12b. DISTRIBUTION CODE	
13. ABSTRACT (maximum 200 words) <p>The purpose of this research is to provide the Air Force, Army, and Navy with a benchmark study of lessons learned from the implementation of the Air Force Program Executive Office for Combat and Mission Support. Under Secretary of Defense for Acquisition, Technology, and Logistics Dr. Ashton Carter expressed in his June 2010 memorandum, Better Buying Power—Obtaining Greater Efficiency and Productivity in Defense Spending, sent to all acquisition professionals, a need to improve tradecraft in service acquisition across the DoD. His memorandum directly stated that the Army and Navy should, “following the Air Force’s example,” create a senior manager for the acquisition of services. This benchmark study seeks to use the Government Accountability Office Framework for Assessing the Acquisition Function at Federal Agencies to provide a list of best practices to all DoD agencies.</p>				
14. SUBJECT TERMS AFPEO/CM - Air Force Program Executive Office for Combat and Mission Support			15. NUMBER OF PAGES 123	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU	

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited

**A BENCHMARK STUDY OF THE AIR FORCE PROGRAM EXECUTIVE
OFFICE FOR COMBAT AND MISSION SUPPORT**

Daniel J. Finkenstadt, Captain, United States Air Force
Andrew J. Peterson, Captain, United States Air Force

Submitted in partial fulfillment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

from the

**NAVAL POSTGRADUATE SCHOOL
December 2011**

Authors:

Daniel J. Finkenstadt

Andrew J. Peterson

Approved by:

Dr. Rene Rendon, Lead Advisor

Professor Bryan Hudgens, Support Advisor

William R. Gates, Dean
Graduate School of Business and Public Policy

THIS PAGE INTENTIONALLY LEFT BLANK

A BENCHMARK STUDY OF THE AIR FORCE PROGRAM EXECUTIVE OFFICE FOR COMBAT AND MISSION SUPPORT

ABSTRACT

The purpose of this research is to provide the Air Force, Army, and Navy with a benchmark study of lessons learned from the implementation of the Air Force Program Executive Office for Combat and Mission Support. Under Secretary of Defense for Acquisition, Technology, and Logistics Dr. Ashton Carter expressed in his June 2010 memorandum, *Better Buying Power—Obtaining Greater Efficiency and Productivity in Defense Spending*, sent to all acquisition professionals, a need to improve tradecraft in service acquisition across the DoD. His memorandum directly stated that the Army and Navy should, “following the Air Force’s example,” create a senior manager for the acquisition of services. This benchmark study seeks to use the Government Accountability Office *Framework for Assessing the Acquisition Function at Federal Agencies* to provide a list of best practices to all DoD agencies.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	BACKGROUND	1
B.	PURPOSE.....	2
C.	RESEARCH QUESTIONS.....	2
1.	Primary Research Question	3
2.	Supplementary Research Questions.....	3
D.	BENEFITS AND LIMITATIONS OF THE RESEARCH	3
E.	METHODOLOGY	4
F.	ORGANIZATION OF REPORT	4
G.	SUMMARY	5
II.	LITERATURE REVIEW	7
A.	INTRODUCTION.....	7
B.	NATURE OF SERVICES CONTRACTS.....	7
C.	GAO SERVICE CONTRACT REVIEWS.....	9
D.	TASK FORCE RECOMMENDATIONS TO THE DOD.....	13
E.	INSPECTOR GENERAL AUDITS OF ACQUISITION AND CONTRACT ADMINISTRATION	16
F.	ARMY, NAVY, AND AIR FORCE SERVICE ACQUISITION MANAGEMENT APPROACHES.....	17
G.	SERVICES ACQUISITION MANAGEMENT POLICIES.....	22
1.	Federal Law and Policies.....	22
2.	Defense Instructions and Policies	24
3.	Air Force Instructions and Policies	27
H.	SUMMARY	29
III.	AIR FORCE PROGRAM EXECUTIVE OFFICER FOR COMBAT AND MISSION SUPPORT.....	31
A.	INTRODUCTION.....	31
B.	HISTORY	31
C.	ORGANIZATION	32
D.	PROCESSES AND PROCEDURES	32
E.	DELEGATION SCHEMES.....	32
F.	EXPECTATION MANAGEMENT AGREEMENTS.....	34
G.	MAJCOM SERVICES PROGRAM HEALTH.....	36
H.	REQUIREMENTS APPROVAL DOCUMENT (RAD) AND EARLY STRATEGY AND ISSUES SESSION (ESIS).....	37
I.	ACQUISITION STRATEGY PANEL (ASP)	38
J.	INITIAL EVALUATION BRIEFING (IEB)	38
K.	FINAL PROPOSAL REVISIONS REQUEST BRIEFING (FPRRB)	39
L.	ANNUAL EXECUTION REVIEW (AER)	39
M.	TRAINING AND AUDITING	40
N.	SUMMARY	41

IV.	METHODOLOGY	43
A.	INTRODUCTION.....	43
B.	DATA COLLECTION PROCESS.....	44
C.	CORNERSTONES	45
1.	Cornerstone 2 – Policies and Processes.....	45
a.	<i>Element 1</i>	46
b.	<i>Element 2</i>	46
c.	<i>Element 3</i>	47
D.	SUMMARY	47
V.	FINDINGS, RESULTS, AND RECOMMENDATIONS	49
A.	INTRODUCTION.....	49
B.	ADMINISTRATION OF THE INTERVIEWS	49
C.	RESULTS OF THE INTERVIEWS AND BEST PRACTICE STUDY ...	50
1.	Element 1: Planning Strategically	50
a.	<i>Partnering with Internal Organizations</i>	51
b.	<i>Assessing Internal Requirements and the Impact of External Events</i>	53
2.	Element 2: Effectively Managing the Acquisition Process.....	56
a.	<i>Empowering Cross-Functional Teams</i>	57
b.	<i>Managing and Engaging Suppliers</i>	58
c.	<i>Monitoring and Providing Oversight to Achieve Desired Outcomes</i>	59
d.	<i>Enabling Financial Accountability</i>	61
3.	Element 3: Promoting Successful Outcomes of Major Projects	62
a.	<i>Using Sound Capital Investment Strategies</i>	62
b.	<i>Employing Knowledge-Based Acquisition Approaches</i>	64
D.	LESSONS LEARNED AND RECOMMENDATIONS TO THE ARMY AND NAVY	64
1.	Lessons Learned.....	64
2.	Recommendations From Interviews	66
3.	Recommendations From This Research Project.....	67
a.	<i>Recommendation 1</i>	67
b.	<i>Recommendation 2</i>	67
c.	<i>Recommendation 3</i>	67
d.	<i>Recommendation 4</i>	68
e.	<i>Recommendation 5</i>	68
E.	SUMMARY	68
VI.	SUMMARY, CONCLUSIONS, AND AREAS FOR FURTHER RESEARCH ..	71
A.	INTRODUCTION.....	71
B.	SUMMARY	71
C.	CONCLUSIONS	72
D.	AREAS FOR FURTHER RESEARCH.....	74
	LIST OF REFERENCES	77
APPENDIX A.	INTERVIEW QUESTIONS	81

APPENDIX B.	DPAP PEER REVIEW POST-AWARD CHECKLIST	83
APPENDIX C.	DPAP REVIEW TENETS	85
APPENDIX D.	MAJCOM SERVICES PROGRAM HEALTH.....	87
APPENDIX E.	SERVICES PROGRAM HEALTH FORWARD LOOKING.....	89
APPENDIX F.	SERVICES PROGRAM HEALTH CONTINUOUS IMPROVEMENT	91
APPENDIX G.	SERVICES PROGRAM HEALTH COLLABORATIVE PROBLEM SOLVING.....	93
APPENDIX H.	SERVICES PROGRAM HEALTH PROGRAM MANAGEMENT	95
APPENDIX I.	SERVICES PROGRAM HEALTH FUNCTIONAL OWNERSHIP.....	97
APPENDIX J.	SERVICES PROGRAM HEALTH FISCAL RESPONSIBILITY.....	99
APPENDIX K.	SAMPLE ANNUAL EXECUTION REVIEW QUAD CHART..	101
	INITIAL DISTRIBUTION LIST	103

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF FIGURES

Figure 1.	Top-Line DoD Contract Spending, 1990–2010.....	14
Figure 2.	DoD Contract Spending on Services by Component, 1990–2010.....	18
Figure 3.	Acquisition Management Methods	19
Figure 4.	Acquisition Leadership	20
Figure 5.	Requirements Ownership.....	20
Figure 6.	Life Cycle Approach.....	21
Figure 7.	DoD Acquisition of Services Categories	25
Figure 8.	Service Acquisition Policy for USAF	28
Figure 9.	AFPEO/CM Responsibilities under EMA	34
Figure 10.	MAJCOM/CC Responsibilities under EMA	35
Figure 11.	MAJCOM Service Advocate Responsibilities under EMA.....	35
Figure 12.	MAJCOM Services Program Health Forward-Looking Grade	36

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF TABLES

Table 1.	AFPEO/CM Best Practices From Element 1	51
Table 2.	AFPEO/CM Best Practices From Element 2	56
Table 3.	AFPEO/CM Best Practices From Element 3	62
Table 4.	AFPEO/CM Best Practices Summary	73

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF ACRONYMS AND ABBREVIATIONS

A&AS	Advisory and Assistance Services
AER	Annual Execution Review
AFAA	Air Force Audit Agency
AFFARS	Air Force Federal Acquisition Regulation Supplement
AFI	Air Force Instruction
AFPEO/CM	Air Force Program Executive Office for Combat and Mission Support
ASAF(A)	Assistant Secretary of the Air Force, Acquisition
ASP	Acquisition Strategy Panel
CO	Contracting Officer
COR	Contracting Officer Representative
CSIS DIIG	Center for Strategic and International Studies Defense–Industrial Initiatives Group
DAU	Defense Acquisition University
DFARS	Defense Federal Acquisition Regulation Supplement
DoD	Department of Defense
DoD IG	Department of Defense Inspector General
DoDI	Department of Defense Instruction
DPAP	Defense Procurement and Acquisition Policy
EMA	Expectation Management Agreement
ESIS	Early Strategy and Issues Session
EVM	Earned Value Management
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act
FPDS	Federal Procurement Data System
FPRRB	Final Proposal Revisions Request Briefing
FY	Fiscal Year
GAO	Government Accountability Office
IEB	Initial Evaluation Briefing
JIT	Just in Time

OMB	Office of Management and Budget
MAJCOM	Major Command
MOASP	Management and Oversight of Acquisition of Services Process
NDAA	National Defense Authorization Act
OFPP	Office of Federal Procurement Policy
PBSA	Performance-Based Service Acquisitions
PM	Program Manager
RAD	Requirements Approval Document
SAE	Service Acquisition Executives
SAF/AQ	Under Secretary of the Air Force for Acquisitions
SECAF	Secretary of the Air Force
SES	Senior Executive Service
TF	Task Force
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics

ACKNOWLEDGMENTS

We would like to thank our wives and children for their remarkable love, patience, and support in allowing us to conduct and complete this research project. We cannot express enough how their support allowed us to successfully complete this project.

We would also like to express our tremendous thanks to the members of the AFPEO/CM office past and present, AMIC, as well as to Lieutenant General William T. Lord and to Major General Wendy M. Masiello for their open and candid information and support. We would like to give an extra special thanks to Capt. Clarence “Geno” Burton whose over-and-above support of our research was critical in the successful completion of this report.

Additionally, we would like to thank the Acquisition Research Program, especially RADM James Greene, USN (Ret.), Ms. Karey Shaffer, and Ms. Tera Yoder, for providing funding and resources to ensure the success of this MBA project.

Finally, we would like to thank our advisors, Dr. Rene Rendon, Lt. Col., USAF (Ret.) and Bryan Hudgens, Lt. Col., USAF (Ret.), for their support, guidance, and encouragement throughout the duration of this project.

THIS PAGE INTENTIONALLY LEFT BLANK

I. INTRODUCTION

A. BACKGROUND

Service contracting is a complex mix of art and science that relies heavily on integration, abstraction, and flexibility to be managed successfully due to its complexity and importance. This point is especially true as the level of services contracting grows to exceed the level of supplies contracting in the Department of Defense's (DoD's) budget portfolio and becomes more integrated into how the DoD operates. As of fiscal year (FY) 2009, DoD service contracts exceeded product contracts 57% to 43% in terms of dollar value (Under Secretary of Defense for Acquisition, Technology, and Logistics ([USD(AT&L)], 2011). The Center for Strategic and International Studies (CSIS) Defense-Industrial Initiatives Group (DIIG) calculated that supplies and services each compose 42% (84% combined) of the DoD's outlays each year (CSIS DIIG, 2011). However, CSIS DIIG did state that this ratio relied on numbers from the Air Force that were underestimated due to a large proportion of classified spending. Yet, the DoD and its agencies have placed relatively minimal focus on the management principles and processes that support service acquisitions.

Policies, memoranda, and reports have been issued within the federal government since the late 1990s regarding initiatives to improve service contracting within the government and the DoD. President Barack Obama (2009) made the following statement in a March 2009 memorandum addressed to the heads of executive departments and agencies:

It is essential that the Federal Government have the capacity to carry out robust and thorough management and oversight of its contracts in order to achieve programmatic goals, avoid significant overcharges, and curb wasteful spending. A GAO study last year of 95 major defense acquisitions projects found cost overruns of 26 percent, totaling \$295 billion over the life of the projects. Improved contract oversight could reduce such sums significantly. Government outsourcing for services also raises special concerns. (paras. 5–6)

The President appointed the Office of Management and Budget (OMB) as the general point-of-contact for developing guidance for overseeing and improving federal contracting. Among the goals President Obama discussed was improvement in the oversight and categorization of services that agencies should contract out (Obama, 2009).

The current USD(AT&L), Dr. Ashton Carter, reemphasized the need to adopt government practices that encourage efficiency (USD[AT&L], 2010a). One of the primary practices Dr. Carter identified was the need to manage service acquisition oversight and policy at more senior levels for all of the DoD (USD[AT&L], 2010a). Until recently, the Air Force Program Executive Officer for Combat and Mission Support (AFPEO/CM) was the only senior executive in the DoD's military departments dedicated to the execution of contract services acquisition. Dr. Carter directed that all military departments adopt a senior-level management model similar to the Air Force's (USD[AT&L], 2010b).

B. PURPOSE

The purpose of our research is to provide the Air Force, the Army, and the Navy with a benchmark study of lessons learned from the creation of the AFPEO/CM. Dr. Carter outlined in his September 14, 2010, memorandum to all secretaries of the military departments and directors of the defense agencies the need to improve tradecraft in service acquisition across the DoD (USD[AT&L], 2010b). Carter's memorandum (2010b) required the Army and the Navy to create a senior manager for the acquisition of services "following the Air Force's example" (p. 11). In this benchmark study we seek to use the Government Accountability Office (GAO, 2005) *Framework for Assessing the Acquisition Function at Federal Agencies (Framework)* to provide a list of best practices to Air Force, Army, and Navy acquisition leaders.

C. RESEARCH QUESTIONS

No benchmark studies have identified which lessons learned and best practices the Army and the Navy should take from the AFPEO/CM. In this thesis, we assess the AFPEO/CM using the questions in the GAO (2005) *Framework* found in the section titled Cornerstone 2, Policies and Processes, and we compile a report of best practices

and lessons learned in order for both Army and Navy senior service acquisition managers to see what roles, structures, and management practices have and have not worked well.

1. Primary Research Question

- What are the best practices within the AFPEO/CM structure?

2. Supplementary Research Questions

- What are the primary lessons learned from working with the AFPEO/CM?
- What recommendations should the Army and the Navy incorporate into developing their senior manager position for service acquisition?

D. BENEFITS AND LIMITATIONS OF THE RESEARCH

The DoD Inspector General (DoD IG, 2009) summary audit report expressly stated that the DoD should establish cross-functional working groups to identify, among other things, “best practices and lessons learned, and recommendations to increase accountability and oversight and to decrease complexity” (p. 50) in acquisition and contract administration. Our research report outlined the benefit of compiling many best practices and lessons learned from current and previous members and customers of the AFPEO/CM into a single comprehensive document that can be used by the Army and the Navy or by the DoD as a whole.

Furthermore, the Army and the Navy can glean examples and direct suggestions from interviews conducted with the primary developers and stakeholders involved in the AFPEO/CM to comply with Dr. Carter’s requirement to set up a senior manager of service contracts. The military components may also note from this report how the practices and lessons are directly related to the GAO (2005) *Framework*.

Our report is limited in that we only conducted interviews at the AFPEO/CM and Air Force Major Command (MAJCOM) levels. Individual squadrons and contractors themselves were not interviewed as part of this research project. Furthermore, this report is limited from the standpoint that we did not interview members of the GAO, the Army, or the Navy in relation to the use of a senior executive for services.

E. METHODOLOGY

To study the AFPEO/CM, we used Cornerstone 2 from the GAO (2005) *Framework*. The primary function of the *Framework* is to provide executive management with a means to assess the strengths and weaknesses of high-level acquisition functions. Based on Cornerstone 2, we developed a list of interview questions (see Appendix A) to ask members in the Air Force acquisition and contracting communities. We interviewed the current acting Program Executive Officer for Combat and Mission Support at the AFPEO/CM, Mr. Randall Culpepper, as well as some of his predecessors. In addition, we interviewed four individuals in the AFPEO/CM as well as some of the primary customers of the AFPEO/CM. More details on the GAO *Framework* and the interviews we conducted are in Chapter IV, Methodology.

F. ORGANIZATION OF REPORT

This report is comprised of six chapters. In this chapter, we introduced the research background, purpose, and topic, and we briefly introduced the methodology we used in conducting our research. In Chapter II, Literature Review, we expressly address a review of services contracting policy within the DoD, and within the Air Force specifically. In Chapter II we also review literature from the GAO and other DoD research reports and discuss the nature, trends, and findings in services contracting as well as the component service management approaches. In Chapter III, AFPEO/CM Organization and Policy, we specifically address the organizational structure and official policies that manage and govern the AFPEO/CM. In Chapter IV, Methodology, we explain our research interview methods and framework, which we derived specifically from the GAO (2005) *Framework*. In Chapter V, Findings, Results, and Recommendations, we explain our analysis of the responses to the interview questions derived from the GAO *Framework* and our recommendations in the areas of best practices and cautions for the DoD component Services. Finally, in Chapter VI, Summary, Conclusions, and Further Research, we summarize our findings and overall conclusions and recommend areas for further research regarding executive management of services contracting.

G. SUMMARY

In this chapter we introduced the background, purpose, research questions, benefits, and limitations of the research and included a brief discussion of the methodology and the organization of the report. The next chapter contains an in-depth literature review of the GAO and other DoD research reports, after which we discuss the nature, trends, and findings in services contracting as well as the service acquisition management approaches within the DoD generally and within the Air Force specifically.

THIS PAGE INTENTIONALLY LEFT BLANK

II. LITERATURE REVIEW

A. INTRODUCTION

In this chapter, we review literature regarding the nature of service contracts. First, we review applicable GAO reports and the findings and recommendations of the recent Defense Science Board Task Force on Improvements to Services Contracting. Next, we cover the services acquisition management approaches of the DoD component Services (Army, Navy, and Air Force). Finally, we examine the specific federal, DoD, and Air Force policies regarding the management and oversight of services acquisitions.

B. NATURE OF SERVICES CONTRACTS

The Federal Acquisition Regulation (FAR, 2005) defines a service contract as a ~~contract~~ contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply” (subpart 37.101). To understand how to manage, direct, and improve services contracting, personnel have to grasp the overall nature of services contracting as opposed to contracting for supplies. This consideration is important to acquisition professionals seeking to improve services contracting because they typically have been trained in an environment of contracting that focuses primarily on the laws, standards, processes, and management practices of supply contracts (USD[AT&L], 2011).

A body of literature has accumulated involving the nature of services contracts. This literature leans heavily on the research and writing involving operations management in service companies. Research conducted by A. Apte, U. Apte, and Rendon (2009a, 2009b, and 2010); U. Apte, Ferrer, Lewis, and Rendon (2006); and U. Apte and Rendon (2007) at the Naval Postgraduate School identified three primary characteristics in the nature of services contracts that have been echoed in other DoD reports and literature. The three primary characteristics are that services contracts are (1) complex, (2) diverse, and (3) intangible (U. Apte, Ferrer, Lewis, & Rendon 2006).

Services are complex in the sense that they involve the ideas of coproduction and multi-stage processes. Coproduction means that the services contracts are a product of

development as well as of performance that involves the customer's subjective input throughout the service contract's life cycle (U. Apte et al., 2006). In other words, this complexity can make satisfactory performance hard to define and measure. Services also evolve over multiple stages of performance and development, both with the contractor's operations and the customer's mission needs (U. Apte et al., 2006). This evolution, paired with the complexity, make writing an initial services contract that accounts for every possible scenario hard to accomplish. It also makes development of a life cycle for services harder to define because it is not as step-by-step and sequential as a product development life cycle (U. Apte & Rendon, 2007; USD[AT&L], 2011).

Services are also diverse. Diversity drives the aforementioned "art" in services contracting. Comprehensive standards for contract methods and management are hard to define and vary across a wide variety of services (U. Apte et al., 2006). Whereas methods for buying products are relatively similar at the foundational level, methods for services contracting can vary for the same service from location to location and especially between military departments (e.g., performance-based acquisitions versus standard level of service). This diversity makes it harder to initially define requirements and makes it difficult for the DoD to aggregate service contract knowledge management due to varying procurement categorizations (USD[AT&L], 2011).

Finally, services are highly intangible. This degree of intangibility makes defining the initial requirements difficult and quantifying the quality assurance measurements hard. This characteristic, as well as the others mentioned, does not stand alone but works in concert with the others. For instance, the vague intangibility of services definitions and quality creates an environment wherein the customer's experience subjectively becomes a part of the service quality that is measured (U. Apte et al., 2006). With supply contracts, all measures are quantitative from product development to delivery time. Services have schedules and deliverables that vary based on customer interaction and experience. To better manage service contracts, U. Apte et al. (2006) introduced the concept of a service contract life cycle in their research.

DoD services acquisition has been found lacking in the area of formal program management. Services program management in the DoD is not as developed as major weapons systems program management (Apte & Rendon, 2007). Furthermore, service acquisitions do not have dedicated program managers to oversee and manage the acquisition life cycle. Fundamentally more important, the service acquisition life cycle does not actually exist in a fully defined fashion (Apte & Rendon, 2007).

The three primary elements of any project are cost, schedule, and performance. However, services acquisitions lack the concepts of project life cycle, empowered cross-functional teams, dedicated program managers, and adequate organizational structures that are necessary to monitor and control the three primary elements. Processes and cross-functional teams for services acquisitions in the DoD are not integrated into or coordinated with a firm project goal, as they are with weapons systems. Looking at organizational structure, the DoD is not set up to facilitate the appropriate level of effort to manage services acquisitions with clear roles and responsibilities for each program. Typically, service acquisitions are managed at the installation level with the contracting officer (CO) acting as the de facto program manager (PM). This happens because there are no other PMs at the base and because the contracting process is the only formalized acquisition process in use among the acquisition's stakeholders (Apte & Rendon, 2007).

This complexity, diversity, and intangibility drive the need for specific and separately defined policies and procedures, roles and responsibilities, and skills to better manage, oversee, and realize potential benefits from services contracts. The DoD has shown that it has weaknesses in these areas and requires improvement. The GAO has noted these deficiencies as well.

C. GAO SERVICE CONTRACT REVIEWS

DoD contract management has been on the GAO's high-risk list since 1992. In reviewing the acquisition of services, the GAO has found that the DoD exposes itself to "unnecessary risks" by being inefficient and ineffective (GAO, 2007, p. 5). The main problems the GAO noted were the DoD's propensity for poorly defined service requirements and objectives, inadequate competition, inadequate monitoring and oversight of services, and inappropriate use of services under contract. The GAO found

that the DoD has managed service acquisitions reactively to the point that service contracts just ~~end~~ tend to happen ... rather than being proactively managed” (GAO, 2007, p. 12). Furthermore, the GAO recommended that the DoD take a more strategic approach to service contracting (GAO, 2007).

The DoD increasingly relies on service contractors for mission-essential services conducted within the DoD. The DoD has decreased its civilian workforce in the areas of cost estimating, weapons maintenance, intelligence, space launch services, and security, among other fields, while also decreasing its contract management workforce (GAO, 2007). As a result, the DoD is acquiring more services via contract with fewer contract managers to effectively control and monitor them (GAO, 2007).

The GAO also found that the DoD does not use sound business practices in acquiring services (GAO, 2007). In particular, poorly defined requirements, poor management, and poor oversight have led to late deliveries and missed cost objectives for service programs. The GAO recommended that the DoD work with contractors upfront to better transform mission objectives into contract terms and conditions, which when adequate, would allow the DoD to better measure contractor performance and hold contractors accountable to the terms of the contract (GAO, 2007).

The GAO also found that the DoD does not allow for adequate competition for many of its service contracts (GAO, 2007). This finding was based on a study of service contracts awarded on a sole-source basis for services that were previously competed, which led to a higher price. The study also found that the DoD did not properly justify the use of sole-source acquisitions in accordance with FAR Part 6 (GAO, 2007).

The GAO also noted deficiencies in how the DoD uses interagency service contracts. Because these contracts are not centrally managed or monitored, they become high-risk contracts that grow rapidly, causing customers to have limited expertise and training on how to use and administer them (GAO, 2007). In addition, accountability for these interagency contracts is hard, if not impossible, to define. The DoD itself does not have useful information for the acquiring agency on the costs versus benefits of using these interagency service contracts (GAO, 2007).

In terms of surveillance or ~~quality assurance,~~” DoD service contracts have not been managed well. Findings show that surveillance personnel are ill trained and are not conducting and properly documenting their surveillance (GAO, 2007). Furthermore, the DoD does not hold surveillance personnel accountable for these deficiencies in service contract oversight. The GAO attributes this lack of surveillance to poor program management and ill-defined requirements by both the DoD and the contractor (GAO, 2007).

Most important, the GAO found that DoD service acquisitions need more management and oversight at the strategic levels (GAO, 2007). The GAO (2007) found that DoD services acquisition is largely ~~fragmented and uncoordinated~~” (p. 11) with responsibilities too spread out across the department. This fragmentation has led to the DoD having very little visibility or control over service acquisition programs. Finally, the GAO found that the DoD is deficient in service direction and vision in terms of what it needs, its ability to capture information for making informed decisions, its methods to achieve department-wide goals and objectives, and its poor system of assessing the resources the department has on hand to meet its service needs (GAO, 2007).

At the transaction level, the GAO found that the DoD needs to create more valid, defined requirements using appropriate business arrangements and that it needs to institute adequate management methods for contractor quality and performance (GAO, 2007). The GAO encouraged the DoD to implement a structure that more centrally and strategically manages service programs (GAO, 2007).

The GAO provided the DoD with best practices from industry in the past (GAO, 2002). The GAO (2002) looked at Fortune 500 companies that had successfully implemented service acquisition management practices that improved company performance. These companies found that they needed to take a more strategic enterprise approach to acquiring services by increasing the quality of information tools they used to aggregate and analyze the spend data for service acquisitions and then by spreading that information across all stakeholders in the organization (GAO, 2002). Some of the key elements the GAO found in leading companies were high-level leadership committing to a strategic approach to service acquisition and high-level leadership creating supporting

structures, processes, and roles to implement these strategies (GAO, 2002). Additional key elements were obtaining improved knowledge management systems to aggregate and analyze service spending and enabling the success of those processes through “leadership, communication, and metrics” (GAO, 2002, p. 15). Additionally, better knowledge management systems allowed for identifying better leveraging opportunities, improving cost-cutting, and enhancing supplier management (GAO, 2002).

The companies studied by the GAO (2002) also increased the role of the procurement function and utilized cross-functional teams to aid in requirements development, vendor selection, and quality assurance management (GAO, 2002). The GAO identified increasing the role of the procurement function as a key element to managing the federal agencies’ acquisition process effectively (GAO, 2005).

The GAO (2002) summarized that the highest risks to DoD service acquisitions were poor acquisition planning, poor competition, and poor service contract management. The report detailed six industry leading companies who implemented four main principles that helped them successfully implement a strategic approach to service acquisition (GAO, 2002). The four principles listed were commitment, knowledge, change, and support (GAO, 2002). Commitment from top leaders involves recognizing and communicating the need to change service acquisition and providing clear goals through executive leadership (GAO, 2002). Knowledge involves developing better information systems and analyzing the data to identify possible areas for cost reductions and opportunities for improved quality and management of the service. Change includes creating or identifying a central service management organization, utilizing proactive stakeholder management, and using cross-functional teams that involve service experts (GAO, 2002). Support involves enlisting and maintaining support from senior leadership, establishing clear communication channels, and using metrics to show credibility and value in the new service acquisition management processes (GAO, 2002).

The GAO found that the DoD has weaknesses in terms of its lack of a single automated system for contract information management, its financial management system could not produce accurate information for timely decisions, and it lacked a modern standardized e-commerce system (GAO, 2002). Furthermore, the GAO asked the DoD to

assess its financial management systems, organizational structures, processes, roles, and support for the strategic purchasing of services (GAO, 2002). The GAO also found that the DoD can be more effective in managing and acquiring services by providing sound and committed leadership, developing and using data (knowledge), ensuring that processes create results, and tracking these results with good metrics (GAO, 2002). Creating centralized service management organizations also helps ensure that service contract data, service processes, and teams are managed more efficiently and consistently across the organization.

These weaknesses are noted consistently across the body of literature that we have reviewed regarding services contracting. The Defense Science Board commissioned a task force that provided recommendations on what the DoD should focus on to improve services contracting. These recommendations have a further list of “actions” that the task force suggested the DoD undertake. These recommendations and actions closely parallel the GAO’s *Framework* that we use in this study as a methodology, which we discuss in further detail in Chapter IV of this report. It is noteworthy to mention that each military department should implement these recommendations at varying degrees, as shown in research conducted by A. Apte, U. Apte, and Rendon (2010).

D. TASK FORCE RECOMMENDATIONS TO THE DOD

Many of the challenges faced in services contracting have been somewhat self-imposed by the DoD and the federal government. After passing the Federal Acquisition Streamlining Act (FASA) of 1994, the government expected to be significantly more efficient in conducting acquisitions and in reducing the federal acquisition workforce by nearly half from 1994 to 2001 (GAO, 2001a). However, during this period, the contracting workload increased by 12%, which caused many of the inefficiencies and ineffective work practices noted by the GAO in later reports. The dramatic drop in acquisition personnel coupled with the increase in workload affected the oversight and management of contracts as well as workforce training, requirements definition, and contractor surveillance (GAO, 2001a, 2001b). As Figure 1 shows, the year FASA was implemented the DoD alone saw its largest single increase in top-line contract spending from fiscal year to year (CSIS DIIG, 2011).

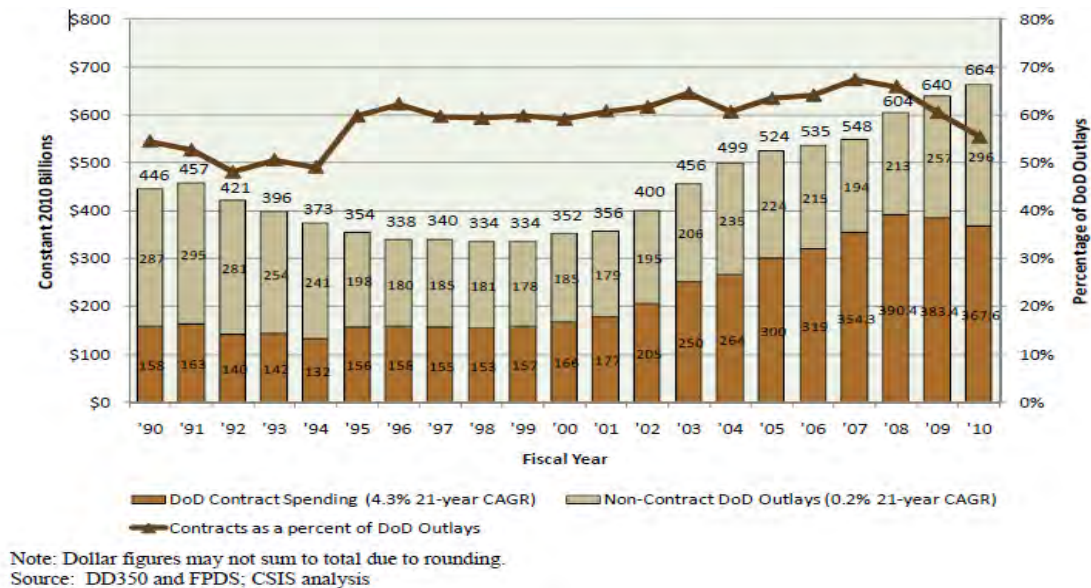


Figure 1. Top-Line DoD Contract Spending, 1990–2010
(From CSIS DIIG, 2011)

In March 2011, the Defense Science Board commissioned a task force to report on improvements to services contracting in the DoD (USD[AT&L], 2011). The task force noted six key findings in their report: (1) service contracts account for more than 50% of the DoD acquisition budget, (2) buying services is fundamentally different than buying weapons systems, (3) the DoD workforce is not prepared to manage and execute service contracts well, (4) the taxonomy or categorization of services is vague and utilizes a one-size-fits-all approach that is ineffective in defining services, (5) more detailed guidance is needed to define inherently governmental services, and (6) contingency contracting for services is a special case that requires separate consideration from peacetime services contracting (USD[AT&L], 2011). The task force offered four recommendations to address these concerns: (1) create new DoD policies and processes for services contracting to address tracking, management, contract structure, and integration of commercial practices in services contracting; (2) designate roles and responsibilities for senior-level leadership and management of services contracting; (3) shift the acquisition training focus from products only to a blend of products and services contracting; (4) create separate policies and processes for contingency services contracting (USD[AT&L], 2011). In this report, we focus on the first three recommendations. Because our report focuses on the policies and procedures of the

senior executive for services contracting at the AFPEO/CM, we exclude discussion of the task force's recommendation for changes to contingency services contracting procedures.

The task force provided the DoD with four recommendations and multiple actions in its March 2011 report to the USD(AT&L). The task force recommended that the DoD create new, simplified processes for a spectrum of services as opposed to just services in general. This recommendation included establishing a more meaningful taxonomy to categorize the services in the Federal Procurement Data System (FPDS), carefully developing and monitoring the performance measures in each category, better indentifying inherently governmental functions, creating more meaningful incentives to motivate contractors to perform, increasing positive communication between the government and industry, and providing clear guidance on contract types for each respective service category (USD[AT&L], 2011).

More applicable to our research is the task force's recommendation that the DoD designate roles and responsibilities for service contracting leadership. This recommendation included training all general officers on services contracts, creating a senior-level DoD services focal point position, and creating a services acquisition executive in each of the military departments that will establish portfolio-specific strategic sourcing offices and category councils (USD[AT&L], 2011). This planned realignment is very similar to what the Air Force has done with its PEO for Services (AFPEO/CM) and its Enterprise Sourcing Group. The Army and the Navy responded to the USD(AT&L)'s recommendation by creating the position of Deputy Assistant Secretary of the Army for Services and the position of Navy Director for Services Acquisition, respectively.

The other task force recommendation applicable to this research was for the DoD to increase the skills of its services acquisition personnel by establishing a formal certification requirement for non-contracting services acquisition personnel (USD[AT&L], 2011). Some suggestions from the Defense Science Board to increase the skills of personnel were to spread service acquisition training across professional military education, reallocating training dollars from product acquisition education to services education, recruiting services experts from the commercial sector, and ensuring equitable

promotion opportunities for military and civilians that focus on services acquisitions (USD[AT&L], 2011). The intent of this recommendation is to enhance knowledge, training, and careers through education and a focus on services contracting to ensure that the DoD's best human capital is matched to the resources that expend the bulk of DoD's budget. For many years, the GAO has recommended improving human capital through education and training to enhance contract management (GAO, 2001b). The DoD IG has also audited the DoD's use of acquisition and contract administration in services contracting (DoD IG, 2009).

E. INSPECTOR GENERAL AUDITS OF ACQUISITION AND CONTRACT ADMINISTRATION

The DoD IG's office issued a summary of its recent acquisition and contract audits in April 2009. This summary report reviewed and grouped deficiencies from 142 different DoD IG reports from FY2003 through FY2008. Based on the reviews, the DoD IG compiled a list of 12 "issue areas." Two of these 12 issues were services focused (DoD IG, 2009).

First, the DoD IG summary report highlighted the inappropriate use of performance-based service acquisitions (PBSA) contracts. Thirteen of the 142 reports reviewed showed signs of an inappropriate use of PBSAs. The first major deficiency was the Navy's inability to relate actual workload to payments received. Next, the DoD IG cited Robins Air Logistics Center for using an outside contractor as opposed to the Marine Corps' existing infrastructure for vehicle overhauls. Finally, the DoD IG cited the DoD as a whole for using improper procedures when awarding and administering contracts for advisory and assistance service (A&AS) contracts (DoD IG, 2009).

Second, the DoD IG summary report highlighted the lack of oversight and surveillance by the military departments in services contracting. Fifty-five of the 142 reports showed a lack of oversight and inadequate surveillance plans for DoD contracts. Some of the issues noted included the Air Force Research Laboratory's use of generic documents and policy for surveillance that was limited to contractor-provided reports on project, technical, and fund status. Furthermore, the report cited the Army Intelligence and Information Center for awarding a time-and-materials contract without a surveillance

plan or performance metrics. Finally, the report noted the use of high-risk cost-reimbursement contracts for test and range facilities when the government did not have sufficient means to monitor contractor performance (DoD IG, 2009).

The report provided an appendix outlining 21 initial actions for implementation in 2008 and 25 actions to implement in 2009 (DoD IG, 2009). In both initial action lists, the DoD IG expressed a need to review and develop a certification process and a standard for contracting officer representatives (CORs) and mandatory COR appointments prior to contract award in the area of sufficient contract surveillance. First, the report stated the need to “establish a Component cross-functional working group to identify and report on source selection deficiencies, best practices and lessons learned and recommendations to increase accountability and oversight and to decrease complexity” (DoD IG, 2009, p. 50). Next, the report expressed the requirement to “assess effectiveness of Departmental guidance and training for executing performance-based acquisition and perform gap analysis in conjunction with the Defense Acquisition University (DAU)” (DoD IG, 2009, p. 50).

The DoD IG summary report did not provide recommendations to remedy these issues, stating that such recommendations were covered in the actual individual DoD IG reports, but the report stated that “each acquisition dollar that is not prudently spent results in the unavailability of that dollar to fund the top priorities of the Secretary of Defense and waste of valuable taxpayer money” (p. 22). Finally, the report emphasized the need for “management oversight, control and enforcement of contracting policies and procedures ... to ensure that DoD is properly awarding and administering contracts, acquiring goods and services, and using funds correctly” (DoD IG, 2009, p. 22).

F. ARMY, NAVY, AND AIR FORCE SERVICE ACQUISITION MANAGEMENT APPROACHES

As previously mentioned, each military department within the DoD has its own nuances that address and direct how it manages the acquisition of services. Each military department takes a different approach to addressing the complexity, diversity, and intangibility of services contracting. These varying approaches include different types of organizational structures, acquisition regionalization, program management, and

communication styles. A. Apte, U. Apte, and Rendon (2010) accumulated and documented years of research in their report that asked members from each component of the acquisition community to answer questions about acquisition management methods, acquisition leadership, requirements ownership, and life cycle approach, among other topics. The results of their report coupled with data derived from the CSIS DIIG (2011) trend analysis show how the components spend and manage services expenditures.

Figure 2 shows that the Army spends the largest share of service contract dollars within the DoD, spending \$74 billion in FY2010, compared with the Navy's \$34 billion, the Air Force's \$27 billion, and the rest of the DoD's \$26 billion (CSIS DIIG, 2011).

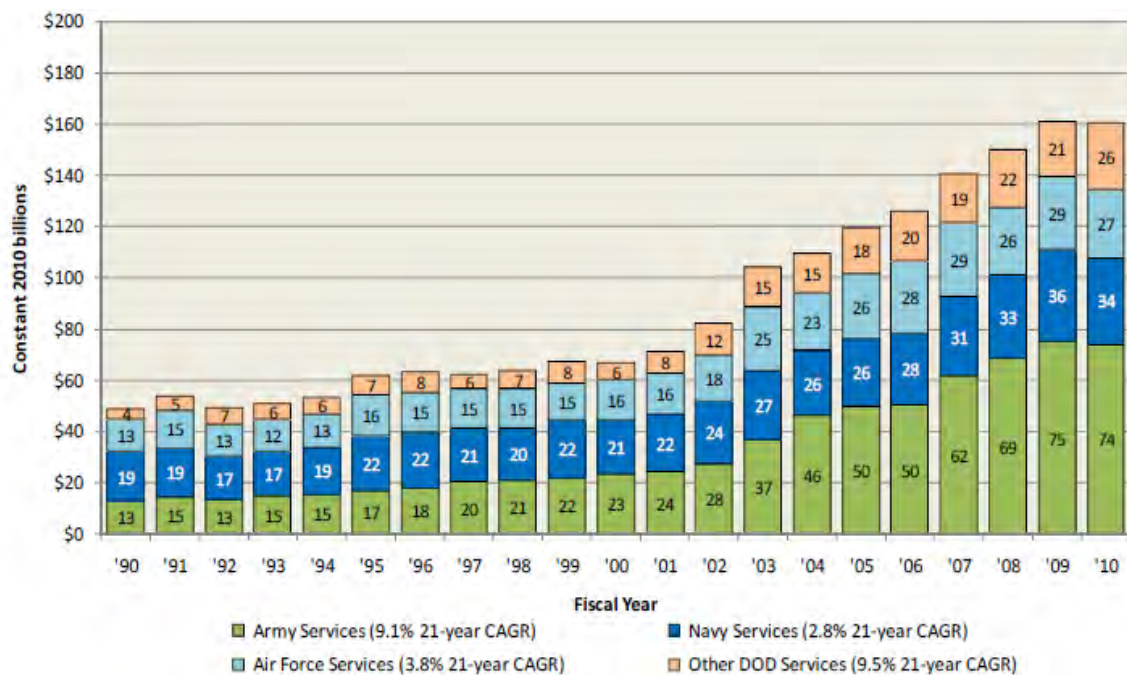


Figure 2. DoD Contract Spending on Services by Component, 1990–2010
(From CSIS DIIG, 2011)

This large dollar volume lends itself most to efficiencies and savings from strategic management and oversight. However, as Figure 3 shows, the majority of the Army's services spending occurs at the installation level, not at the regional level. Over half of the time, the Army and the Air Force use a project-team approach, which is more often than the Navy's use of a project-team approach. Figure 4 shows that the CO, rather

than a program manager, typically manages these project-teams, even though requirements ownership is predominantly outside of the CO's area of responsibility, as Figure 5 shows. Finally, the Army did not use the concept of a project life cycle during acquisitions of both routine and non-routine services as frequently as the Navy and Air Force (see Figure 6). This lack of a project life cycle raises concerns because it creates a higher degree of cost, schedule, and performance risk in the military department that handles the majority of the DoD's services spending (A. Apte, U. Apte, & Rendon, 2010).

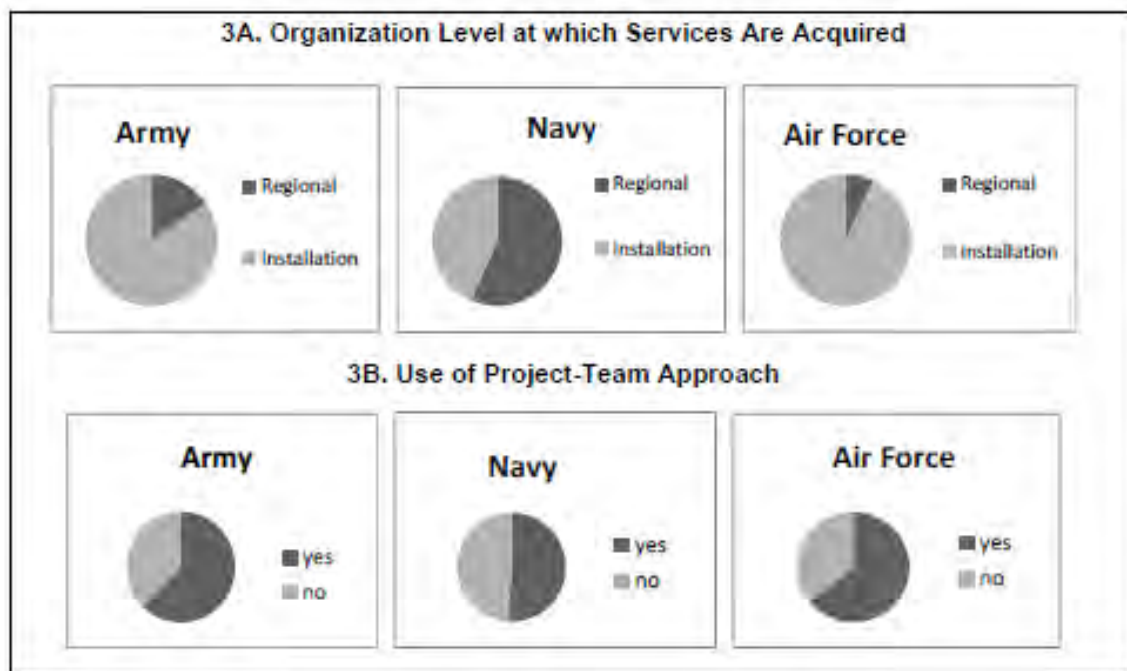


Figure 3. Acquisition Management Methods
(A. Apte et al., 2010)

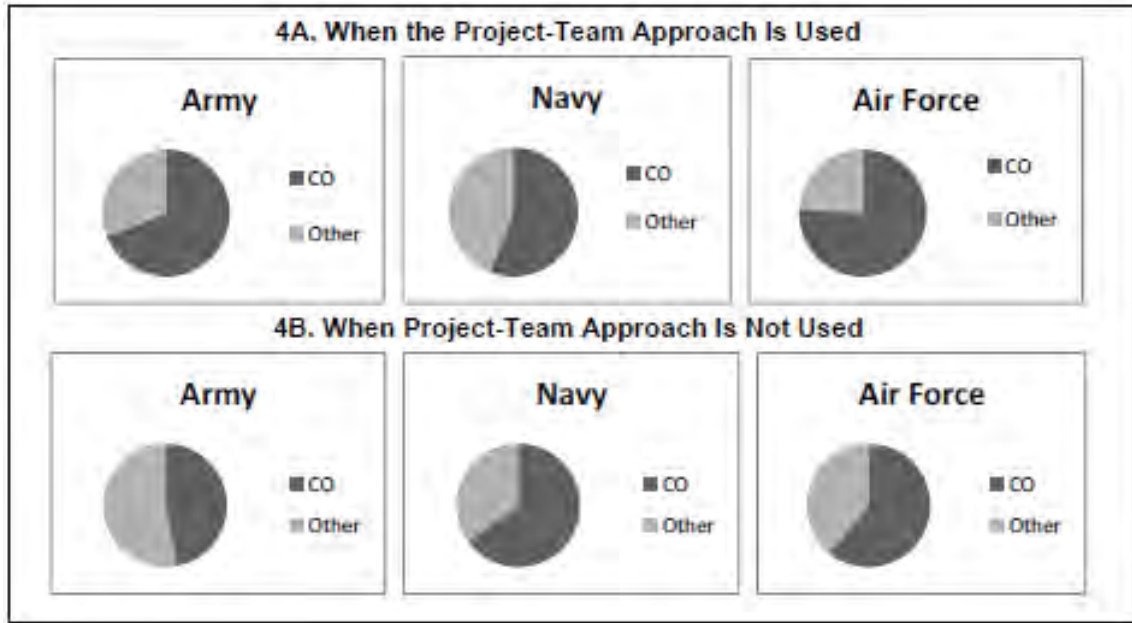


Figure 4. Acquisition Leadership
(From A Apte et al., 2010)

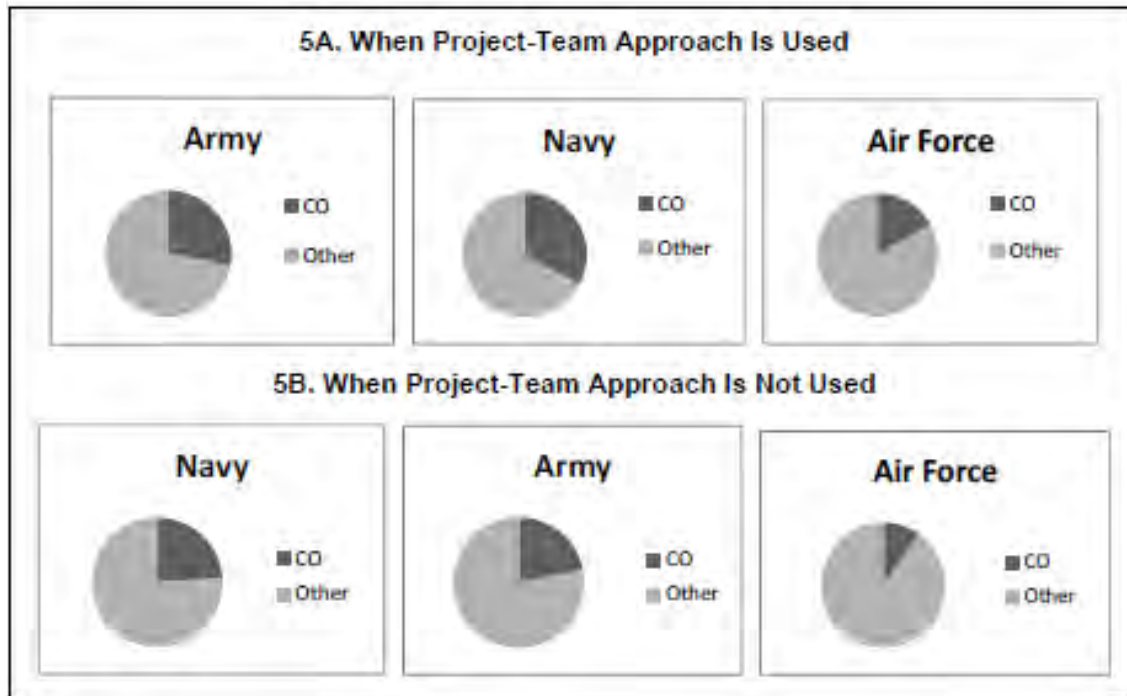


Figure 5. Requirements Ownership
(From A. Apte et al., 2010)

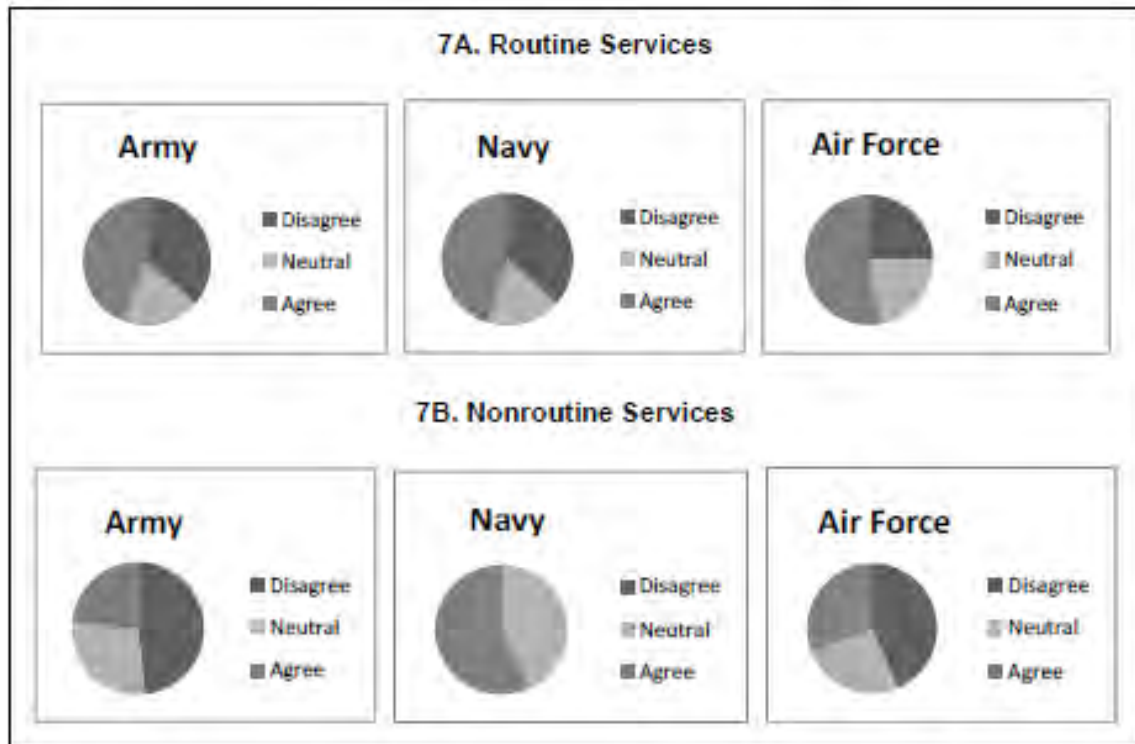


Figure 6. Life Cycle Approach
(From A. Apte et al., 2010)

The Navy is the second largest spender of the DoD's services contract dollars (see Figure 2). The Navy operates very differently than the Army or Air Force in terms of acquisition management methods (see Figure 3). The Navy conducts a majority of its services expenditures at the regional level, yet only uses project teams 50% of the time. When the Navy does use project teams, it tends to use COs as project managers less often than does the Army or Air Force (see Figure 4). The Navy's use of non-CO project managers may lend itself to better management of those non-routine services for which the Navy uses more of a life cycle approach than either the Army or the Air Force (see Figure 6; A. Apte et al., 2010).

Of all the military branches, the Air Force spends the least amount on services (but also spends a larger percentage at the installation level versus the regional level) relative to the other components of the DoD (see Figures 2 and 3). The Air Force utilizes the project-team approach more frequently than the Army or the Navy (see Figure 3), but it leans heavily on COs to manage these teams (see Figure 4), despite the requirements

being outside the CO's area of responsibility (see Figure 5). The Air Force responses indicate that they use a life cycle approach more for routine services than for non-routine services (A. Apte et al., 2010). A. Apte et al. (2010) identified this lack of a life cycle approach as being an area for concern because non-routine services have more risk than routine services and agencies could benefit more from a life cycle approach. The Air Force utilizes the life cycle approach for routine services more than either the Army or Navy but less than the Navy for non-routine services (A. Apte et al., 2010).

G. SERVICES ACQUISITION MANAGEMENT POLICIES

Services acquisitions are governed by laws and policies from multiple levels for agencies within the DoD. At the top are federal laws passed by Congress and signed by the President as well as policies from the Office of Federal Procurement Policy (OFPP) under the Office of Management and Budget (OMB). The DoD issues acquisition guidance through policies, and the Air Force issues guidance through policies and Air Force Instructions (AFIs). This section reviews all of the services acquisition guidance that applies to the DoD, in general and to the Air Force in particular.

1. Federal Law and Policies

Prior to Congress passing the 2002 National Defense Authorization Act (NDAA), federal law did not require robust agency or legislative oversight of service contracts. Section 801 of the 2002 NDAA established section 2330 in title 10 of the *Code of Federal Regulations*, entitled Procurement of Services: Management Structure. This newly developed section required the Secretary of Defense to “establish and implement a management structure for the procurement of services for the Department of Defense” (NDAA, 2002, § 2330[a]). As part of establishing the management structure, the act required an official in each department to be responsible for managing service contracts and for managing dollar thresholds for reviews and approvals of service acquisitions (with delegations authorized; NDAA, 2002).

The 2006 National Defense Authorization Act made significant updates to the oversight requirements of 10 U.S.C. 2330. The primary change gave the USD(AT&L) explicit responsibility for the oversight of the service contracts for the DoD (NDAA,

2006). The new act also required that each department acquisition executive delegate or assume responsibility for that department's respective service contracts (NDAA, 2006). Similar to the establishment of section 2330 in the 2002 NDAA, the 2006 NDAA required the USD(AT&L) to establish review thresholds and, for the first time, referred to the thresholds as ~~“services acquisitions categories”~~ (2010, NDAA).

The most recent change to 10 U.S.C. 2330 occurred in the National Defense Authorization Act for Fiscal Year 2010. The revised act required the USD(AT&L) to oversee an independent review of DoD service acquisitions (NDAA, 2010). As part of the review, the USD(AT&L) had to determine how well different departments were using best practices for service contract requirements development (NDAA, 2010). Additionally, the USD(AT&L) had to assess how each department implemented the service acquisitions management structure in 10 U.S.C. 2330 and whether they had achieved the savings goals required in the 2002 NDAA (NDAA, 2006).

In addition to the *U.S. Code* that governs service contracting, part 37 of the FAR (2005) and part 237 of the Defense Federal Acquisition Regulation Supplement (DFARS, 1998) provide the primary day-to-day policy and guidance for the acquisition of services in the DoD. Whereas most of FAR part 37 governs services acquisitions generally, FAR subpart 37.5 addresses the management and oversight of service contracts for all federal agencies; however the responsibilities for agency heads in this subpart are limited to clearly defining requirements, awarding and administering contracts, ensuring that inherently governmental services are not contracted, and training staff (FAR, 2005). The only other responsibilities in subpart 37.5 are for other contracting officials to use best practices when purchasing and administering service contracts (FAR, 2005). Subpart 237.5 of the DFARS only mandates that the agency head must certify that new service contract requirements are not personal services (DFARS, 1998).

Finally, the OFPP issued a policy letter, *Management Oversight of Service Contracting*, in May 1994. This policy letter requires all federal executive agencies to utilize best practices while managing and administering service contracts (OFPP, 1994). In addition, the letter requires that ~~“sufficiently”~~ trained individuals be available to manage service contracts and that the agencies use ~~“effective management practices”~~ to

implement the policy (OFPP, 1994). The policy does not define the level of training required for sufficiency or the management practices required to be effective. Furthermore, the policy does not require more specific oversight than the *U.S. Code* or the FAR.

2. Defense Instructions and Policies

To implement section 801 of the 2002 NDAA, the USD(AT&L) issued an overarching policy memorandum, *Acquisition of Services*, for service acquisitions by military departments and other defense agencies (USD[AT&L], 2002). The memorandum's intention was to "move DoD to a more strategic and integrated approach to the acquisition of services" (USD[AT&L], 2002, para. 2). To meet that goal, the USD(AT&L) required each department to develop and recommend a services contract oversight process to manage and oversee services acquisitions (USD[AT&L], 2002). The policy also set forth a review and approval process for service acquisitions that exceed \$500 million, with the USD(AT&L) responsible for service acquisitions that exceed \$2 billion, and with all of the acquisition reviews and approvals delegable (USD[AT&L], 2002). Additional policies in the memorandum require department decision authorities to minimize additional directives affecting service acquisitions and the use of an enterprise-wide approach to acquiring services to maximize the DoD's cost savings (USD[AT&L], 2002).

After the 2006 NDAA changes to 10 U.S.C. 2330, the USD(AT&L) issued an update to the 2002 memorandum with a new title: *Acquisition of Services Policy* (USD[AT&L], 2006c). The primary focus of this memorandum, closely following the change in the law, was a breakdown of the responsibilities of the service acquisition executives (SAEs) in the acquisition of services for each department and the setting of the Acquisition of Services Categories, a table similar to Figure 7 (USD[AT&L], 2006c). The USD(AT&L) made further changes to the DoD acquisitions of services policy in DoD Instruction (DoDI) 5000.02 (USD[AT&L], 2008).

In addition to the FAR and DFARS, services acquisition policy resides in DoDI 5000.02 enclosure 9, Acquisition of Services (USD[AT&L], 2008). Enclosure 9 applies

to all service contracts except research and development or other services in support of a separately approved acquisition program (USD[AT&L], 2008). Similar to the FAR and DFARS, enclosure 9 mandates responsibilities for the SAE, which include the SAE's overall responsibility for services acquisitions and the fact that the SAE may appoint decision authorities for reviewing and approving service acquisitions (USD[AT&L], 2008). In addition to these responsibilities, enclosure 9 has the most recent Acquisition of Services Category thresholds required by the 2006 amendment to 10 U.S.C. 2330 (see Figure 7) that outline reviews mandatory for all DoD agencies.

Category	Threshold	Decision Authority
Acquisitions >\$1B	Any acquisition of services with a total estimated cost of \$1 billion or more	USD(AT&L) or designee
IT Acquisitions >\$500M	Any acquisition of IT services with a total estimated cost of \$500 million	ASD(NII)/DoD CIO or as designated
Special Interest	As designated by USD(AT&L), ASD(NII)/DoD CIO, or Military Department Senior Official	USD(AT&L) or Senior Officials
Services Category I	Acquisitions of services estimated to cost \$250 million or more	Senior Official or as designated
Services Category II	Acquisitions of services estimated to cost \$10 million or more, but less than \$250 million	Senior Official or as designated
Services Category III	Acquisitions of services estimated to cost more than the simplified acquisition threshold but less than \$10 million	Senior Official or as designated
<ul style="list-style-type: none"> Dollar amounts are in Fiscal Year 2006 constant-year dollars. Related task orders within an ordering vehicle shall be viewed as one effort for the purpose of determining the appropriate thresholds. If a proposed acquisition includes both hardware and services, and the estimated value of the services portion exceeds the values specified in paragraphs 5.b.(1) and 5.b.(3) of this enclosure, the notification requirements of those paragraphs shall apply. Oversight of Services Category III acquisitions should be implemented as soon as possible, but shall not be implemented later than October 1, 2009. If the contract or task order is not performance-based, and the decision authority is other than the Senior Official, acquisitions of services expected to exceed \$78.5 million shall require approval of the senior procurement executive (DFARS Subpart 237.170 (Reference (bo))). Decision authorities or their designees shall review and approve all contracts and task or delivery orders exceeding the simplified acquisition threshold, issued by a non-DoD agency on behalf of the Department of Defense (DFARS Subpart 217.78 (Reference (bp))). 		

Figure 7. DoD Acquisition of Services Categories
(From USD[AT&L], 2006a)

The USD(AT&L) has additional policies affecting services acquisitions, aside from DoDI 5000.02, the Acquisition of Services Categories table and the various memorandums discussed in the previous paragraphs. In February 2006, the Director, Defense Procurement and Acquisition Policy (DPAP) issued an updated policy memorandum mandating the use of PBSA when acquiring services (DPAP, 2006). Also

in February 2006, the USD(AT&L) issued an update memorandum to address contract management, which the GAO labeled as high risk (USD[AT&L], 2006a). This memorandum detailed a plan that included taking a strategic approach to service contracts and implementing best practice approaches required by the 2006 NDAA (USD[AT&L], 2006a). Another policy memorandum from the USD(AT&L) affecting services stated that “oversight duties shall not be accrued at the top” (USD[AT&L], 2006b).

In a 2007 policy letter, the USD(AT&L) delegated review and approval procedures for service contracts to the director, DPAP (USD[AT&L], 2007). To ensure compliance with policy, improve quality, and ease best practice distribution, the director of DPAP established a peer-review policy in a 2008 memorandum (DPAP, 2008). The peer reviews are advisory assessments of every acquisition over \$1 billion by senior contracting leaders from across the DoD (specifically, from outside the procuring agency; DPAP, 2008). The policy requires pre-award peer reviews on all contracts over \$1 billion and post-award peer reviews on all service contracts that exceed \$1 billion (DPAP, 2008). The post-award reviews take place before the exercise of the first option (if applicable) and before every subsequent option period (DPAP, 2008). The review assesses how the contractor is performing and how well the government is monitoring the contractor’s performance (see Appendix B; DPAP, 2008). Additionally, in February 2009, the director of DPAP issued a policy outlining “tenets” that were expected to be used when reviewing service acquisitions that fall under the DPAP approval authority (Appendix C). In addition to outlining DPAP review areas, the memorandum also required department-level reviewers to use the tenets and any other best practices while reviewing service acquisitions (DPAP, 2009).

Finally, in 2010, the USD(AT&L) issued a series of three memorandums about better buying power to address the push by President Obama and Secretary Gates’ for spending efficiencies and cost savings. The first memorandum, issued in June 2010, laid out a preliminary plan for cost savings and the rationale behind the changes (USD[AT&L], 2010a). The most important reform, for the purposes of this project, was that each military department must establish a senior manager for services acquisition, modeled after the AFPEO/CM (USD[AT&L], 2010a). The second memorandum

provided substantial detail about the better buying initiatives (USD[AT&L], 2010b). The services acquisition section of this September 2010 policy included directions for the establishment of the position of senior manager for services in each department, standardization of the classification of services, improved requirements definition, improved competition, limiting the use of award fee and time & materials contracts, and increased small business participation (USD[AT&L], 2010b). The USD(AT&L) issued the final better buying policy in November 2010 to implement the guidance covered in the September 2010 policy (USD[AT&L], 2010c). Mirroring the September memorandum, the final better buying memorandum has a section titled, Improve Tradecraft in Services Acquisition, which contains an implementation plan that has specific dates by which each department must achieve the initiatives.

3. Air Force Instructions and Policies

As with the other military departments, the *U.S. Code*, FAR, DFARS, and the DoD policy letters govern acquisitions for the Air Force. In addition, the Air Force has the Air Force Federal Acquisition Regulation Supplement (AFFARS), which contains specific guidance for Air Force procurements. Part 5337 governs services acquisitions, but subpart 5337.5, which governs management and oversight of service contracts, directs readers to Chapter 4 of AFI 63–101, Acquisition of Services, for agency head responsibilities and oversight guidance (AFFARS, 2002).

Similar to the DoD policies governing services, Chapter 4 of AFI 63–101 (USAF, 2009), which applies to all services acquired that are not part of weapon system development, requires service acquisition managers to take a strategic approach to service contract acquisition. Additionally, Chapter 4 of AFI 63–101 mandates the review processes required for service acquisition approvals (AFPEO/CM, 2009). The Air Force has developed separate service acquisition categories (see Figure 8), outlined in Chapter 4 of (U. Apte et al., 2006), that govern review and approval thresholds. Chapter 4 of AFI 63–101 also contains the AFPEO/CM responsibilities (paragraph 4.4.3), which include the oversight of service contracts over \$100 million and the determination of key service categories for the entire Air Force (AFPEO/CM, 2009).

In response to Congress' establishment of 10 U.S.C. 2330 and the DoD's Acquisition of Services policy from 2002, the Air Force developed the USAF Management and Oversight of Acquisition of Services Process (MOASP) policy (USAF, 2011). The MOASP detailed the DoD-mandated review thresholds as well as pre- and post-contract award management for all Air Force service acquisitions (Assistant Secretary of the Air Force for Acquisition [ASAF(A)], 2003). After the DoD approved the MOASP for use across the Air Force in February 2003 (USD[AT&L], 2003), the ASAF(A) issued policy delegating the management and oversight of services over \$100 million to the newly established Air Force Program Executive Officer for Services (which the Air Force later renamed to AFPEO/CM) and mandating the use of the MOASP (ASAF[A], 2003).

Services Category	Threshold ^(Notes 1,2,3)	Services Designated Official
Special Interest	As designated by USD(AT&L), OASD(NII)/CIO, or Senior Official	SAE; AFPEO/CM; or other PEO/DAO
Services Category I	Acquisitions >= \$1B ^(Note 4)	AFPEO/CM or other PEO, Delegable with USD(AT&L) DPAP Review
	Acquisitions >=\$100M <\$1B	AFPEO/CM or other PEO, Delegable
	A-76 >= 300 FTEs or >= \$100M	AFPEO/CM, Delegable
	IT Services >= \$500M ^(Note 4)	AFPEO/CM or other PEO, with OASD(NII) Review
Services Category II	Acquisitions >= \$10M but <\$100M A-76 < 300 FTEs or < \$100M	MAJCOM/DRU/CC or designee.
Services Category III	Acquisitions >= Simplified Acquisition Threshold but < \$10M	MAJCOM/DRU/CC or designee.
NOTES: 1. Dollar amounts are in Fiscal Year 2006 constant year dollars. 2. The threshold is the cost/price estimate for the total planned acquisition. 3. Related task orders and/or options within an ordering vehicle shall be viewed as one effort for the purpose of determining the appropriate thresholds. 4. If a proposed acquisition includes both hardware and services, and the estimated value of the services portion exceeds \$1B for services or \$500M for IT acquisitions, the provisions of paragraph 3.6.2 shall apply.		

Figure 8. Service Acquisition Policy for USAF
(From AFPEO/CM, 2009)

Additional policies affecting service acquisition in the Air Force include a requirement for the Air Force SAE to approve any service requirement (pre-acquisition)

greater than \$100 million and for Major Command (MAJCOM) commanders to approve service requirements over \$10 million (Secretary of the Air Force [SECAF], 2006). The purpose of the review is to reduce service contract spending and realize savings through potential strategic sourcing (SECAF, 2006). Finally, the ASAF(A) issued a certification memorandum to the director of DPAP after the DPAP Acquisition of Services Policy memorandum in 2006. In the memorandum, the ASAF(A) certified that the MOASP is the Air Force's management and oversight for service contracts (ASAF[A], n.d.). Furthermore, the memorandum set forth a plan to review current services policy and make updates to AFI 63-101, which the Air Force did by incorporating Chapter 4 to address services with the 2009 update (ASAF[A], n.d.).

H. SUMMARY

After reviewing the trends in spending as well as in services acquisition management, it is apparent that each of the military departments is operating with methods independent of the other departments and that each could benefit from practices employed by the others. For instance, the Air Force and the Army could realize cost and management efficiencies by taking the Navy's more regional approach, whereas the Navy, as a regionalized model, needs to incorporate more of a project management approach by using project teams.

The concepts of communication, cross-functional teams, and life cycle management are all indicative of more strategic corporate management structures, policies, and procedures than acquisition management of the past. Independent oversight from the GAO and the DoD IG and management direction from the President down to the USD(AT&L) indicates that the management of services acquisitions must change. These changes must focus on the co-productive nature of services, their diversity in requirements definition, and their intangible outputs, which must be measured effectively to reduce risk and enhance the value of the DoD's dollars spent. Centrally managed service acquisition offices such as the AFPEO/CM can be a critical cornerstone from which agencies can build a successful services contract program. In the next chapter we discuss the organization of the AFPEO/CM and its policies and procedures.

THIS PAGE INTENTIONALLY LEFT BLANK

III. AIR FORCE PROGRAM EXECUTIVE OFFICER FOR COMBAT AND MISSION SUPPORT

A. INTRODUCTION

In this chapter, we focus on the background of the Air Force Program Executive Office for Combat and Mission Support (AFPEO/CM). Specifically, we look at the origin of the AFPEO/CM, how the office is structured and, most important, the processes and procedures that the AFPEO/CM uses to effectively manage the service contracts that fall under its authority. The policy and procedure information in this chapter comes directly from documents and presentations supplied by the AFPEO/CM through briefings, interviews, and PowerPoint presentations. Neither the interview transcripts nor the presentations are available through the Internet¹, and, as a result, they are cited as personal communications throughout this chapter.

B. HISTORY

According to a senior Air Force leader we interviewed in 2011, the Air Force established the AFPEO for Services (AFPEO/SV) under the Under Secretary of the Air Force for Acquisitions (SAF/AQ) in March 2002. The purpose of the AFPEO/SV was to implement the FY2002 NDAA requirement for service contract oversight equivalent to major systems acquisitions (Poussard, 2005). To fulfill the requirement, the AFPEO/SV oversaw services acquisitions over \$100 million and dispersed lessons learned for all service acquisitions in the Air Force (including acquisitions under \$100 million). The Air Force senior leader we interviewed also related that the AFPEO/SV's name changed to AFPEO for Combat and Mission Support to avoid confusion with the Air Force Services career field.

¹ Our interview transcripts and the AFPEO/CM presentations are not available on the internet because they were never published or posted by us or the AFPEO/CM, respectively.

C. ORGANIZATION

The Program Executive Officer (PEO) for Combat and Mission Support is a flag-level (i.e., general) officer or civilian Senior Executive Service (SES) equivalent that is the person responsible for the service acquisitions. The PEO and his or her office (AFPEO/CM) report directly to the Air Force Senior Acquisition Executive (SAE). The PEO has a deputy as well as three acquisition teams, an action group, and a legal support element (AFPEO/CM, personal communication, July 15, 2011). The acquisition teams are each responsible for supporting the various Air Force MAJCOMs, and the action group implements the policies and procedures for managing the Air Force's large service contracts. The teams have a mixture of personnel from the contracting career field (GS-1102 series civilians but no 64P military officers) and program managers (GS-1101 series civilians and 63A military officers; R. Clarke, personal communication, July 15, 2011). To carry out the tasks required as the senior manager of Air Force service acquisitions, the PEO receives a charter from the Air Force SAE that outlines his or her duties and responsibilities (AFPEO/CM, personal communication, July 15, 2011).

D. PROCESSES AND PROCEDURES

The AFPEO/CM utilizes many processes and procedures to manage the Air Force's large service contracts, including the utilization of delegation schemes, expectation management agreements (EMAs), annual reviews, peer reviews, requirements reviews, early acquisition planning, training, and auditing. Although none of these processes is unique, when the AFPEO/CM combines them, they provide a powerful tool for accomplishing the office's mission. All information from this section was taken directly from a binder of internal documents provided by the AFPEO/CM entitled Background Information (AFPEO/CM, personal communication, July 15, 2011).

E. DELEGATION SCHEMES

To manage the responsibility of all Air Force service acquisitions programs worldwide, the AFPEO/CM has developed a robust delegation scheme that involves the use of tiered thresholds of responsibility that each MAJCOM can earn upon completion

and sustainment of certain program management expectations. These expectations include the providing or accomplishing the following: (1) a general officer or SES champion for services at the MAJCOM (AFPEO/CM requests the assignment of a services advocate at each MAJCOM); (2) a services management agreement signed between the AFPEO/CM and the MAJCOM commander/vice commander; (3) demonstrated learning; (4) proactive, multi-functional team involvement; (5) timely MAJCOM reporting to the AFPEO/CM; (6) metrics; and (7) AFPEO/CM participation in source selection stages. The AFPEO/CM labels these delegation levels from low to high as basic, silver, gold, and platinum. At each level, the AFPEO/CM relinquishes higher levels of authority, responsibility, and qualifications (AFPEO/CM, personal communication, July 15, 2011).

The basic delegation level includes passing down authority for acquisitions valued at less than or equal to \$100 million. Responsibility ranges through the entire acquisition process from acquisition strategy panel (ASP) to administration of the contract. The qualifications are statutory and regulatory in nature. The silver delegation level includes passing authority for acquisitions valued at less than or equal to \$500 million. Responsibility includes the ASP, with status reporting to the AFPEO/CM beginning with the requirements document. The AFPEO/CM gives the qualifications to each MAJCOM initially on a probationary basis with regular, real-time oversight to determine a joint definition of success. If the MAJCOM maintains a good standing, the AFPEO/CM grants full-time silver status with the potential to advance to the highest level of gold status when needed (AFPEO/CM, personal communication, July 15, 2011).

The gold delegation level grants authority to manage acquisitions valued at less than or equal to \$1 billion. Responsibility includes source selection decision authority, award fee plan approval, and award fee determining official responsibilities. The ASP and acquisition plan remain with the AFPEO/CM. To qualify for this delegation, MAJCOMs must demonstrate success with programs under \$500 million for 1–2 years. Finally, the AFPEO/CM gives the platinum delegation level to specified officials for full

responsibility. To qualify, these officials must demonstrate proactive, full-spectrum services management and oversight for all acquisitions under \$1 billion (AFPEO/CM, personal communication, July 15, 2011).

F. EXPECTATION MANAGEMENT AGREEMENTS

The AFPEO/CM and each MAJCOM commander signs expectation management agreements (EMAs) that outline the roles and responsibilities of the MAJCOMs and the AFPEO/CM to jointly manage and oversee each level of delegated services. For instance, all MAJCOMs start with an EMA assigning them a probationary delegation to silver; the EMA discusses the responsibilities of the AFPEO/CM (see Figure 9), MAJCOM commander (see Figure 10) and MAJCOM service advocate (see Figure 11). Additionally, the EMA addresses how the MAJCOM can retain its current level of delegated authority as well as the steps needed to move to the next highest level of delegable authority in services management. Finally, the EMA details points of contact (POCs), modification terms, and commencement and expiration dates. The AFPEO/CM goes one step further by providing templates for the MAJCOM commander to distribute the new policy on services acquisition within their MAJCOM (AFPEO/CM, personal communication, July 15, 2011).

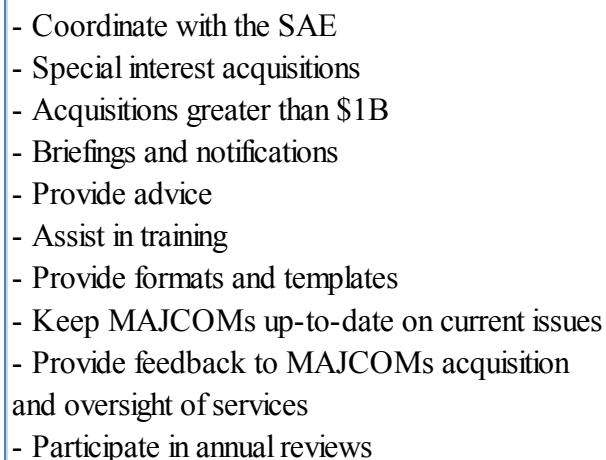
- 
- Coordinate with the SAE
 - Special interest acquisitions
 - Acquisitions greater than \$1B
 - Briefings and notifications
 - Provide advice
 - Assist in training
 - Provide formats and templates
 - Keep MAJCOMs up-to-date on current issues
 - Provide feedback to MAJCOMs acquisition and oversight of services
 - Participate in annual reviews

Figure 9. AFPEO/CM Responsibilities under EMA

- Foster an environment of continuous improvement
- Create a transparent requirements review process (IAW AFI 63-101)
- Coordinate Service Advocate replacements with AFPEO/CM
- Support the Services Advocate in developing disciplined multi-functional processes and teams
- Provide oversight and management of MAJCOM (and tenets) services contracts

Figure 10. MAJCOM/CC Responsibilities under EMA

- Serve as the principal POC for services acquisitions
- Proactively manage MAJCOM services with multi-function teams
- Use trends identified in inspections to seek continuous process improvement
- Create ~~meaningful metrics~~ "meaningful metrics" to assess services health in the MAJCOM and report to AFPEO/CM
- Proactively conduct MAJCOM services spend analysis for strategic sourcing and leveraging
- Serve as the Acquisition Plan Approval Authority and Source Selection Authority (depending on delegated authority),
- Champion quality assurance
- Oversee MAJCOM services programs with periodic reviews (details minimum level of review)
- Serve as the Service Designated Official and FDO (depending on delegated authority)

Figure 11. MAJCOM Service Advocate Responsibilities under EMA

G. MAJCOM SERVICES PROGRAM HEALTH

The AFPEO/CM has a robust template (see Appendix D) for analyzing the overall “health” of a MAJCOM’s services management program. First, there is a single screen slide that details the current delegation level, services advocate, MAJCOM point of contact, PEO/CM point of contact and the delegation level that the MAJCOM is currently seeking (see Appendix D). The AFPEO/CM uses a stop light grading approach (red, yellow, green, or blue, with red as the worst grade and blue as the best) to highlight how the MAJCOM has performed in the areas of approach, oversight, and management. This stop light approach grades each respective area from red to blue based on the MAJCOM’s performance (see Figure 12 for an example of the grading).

Definition	Blue	Green	Yellow	Red
Initiates strategic acquisition planning demonstrated by timely awards Exemptions include: -- Extension of Services Clause as a result of protest -- J&A used at no fault of the organization (such as lack of Congressional funding, protests, etc)	2 or more consecutive years at a Green Rating	- 80% of awards completed before the current period of performance expires ; and - zero use of “bridge J&A” , unless exempted	- 60% of awards completed before the current period of performance expires; and - “bridge J&A” limited to less than 10% of awds	Use of “bridge J&A” on more than 10% of awards

Figure 12. MAJCOM Services Program Health Forward-Looking Grade
(From AFPEO/CM, personal communication, July 15, 2011)

The AFPEO/CM grades the MAJCOM’s management approach by how forward-looking and collaborative the MAJCOM has been as well as by how often it has sought continuous improvements. Next, the AFPEO/CM defines forward-looking (Appendix E) by the MAJCOM’s strategic use of acquisition planning, and faults them for the use of extension of services clauses and any sole-source “bridge justifications and approvals.” Continuous improvement (Appendix F) is evaluated based on dedicating training resources, consistently conducting good ASPs, source selections, post-award administration, employing inspection suggestions, quickly implementing new policies,

and participating in enterprise solutions. The gold/platinum level is further defined by the MAJCOM, which conducts strategic sourcing (AFPEO/CM, personal communication, July 15, 2011).

The AFPEO/CM gauges collaboration (Appendix G) based on how well the MAJCOM conducts discussions with the AFPEO/CM. Oversight and management include an assessment into the MAJCOM's program management, functional ownership, and fiscal responsibility. Program management (Appendix H) is graded based on "timely and meaningful annual execution reviews with quality data and analysis," (AFPEO/CM, personal communication, July 15, 2011). The annual reviews measure the MAJCOM's services contracts management by evaluating performance, program problems analyzed and solved, and proper task order management that stays within basic contract scope. Functional ownership (Appendix I) is graded based on how well the MAJCOM works with multi-functional teams in its services programs. Finally, fiscal responsibility (Appendix J) is an analysis of the MAJCOM's sensible incentive and award fee decisions, along with the MAJCOM's cost control, budget management, and management of contracts with ceilings and not-to-exceed line items (AFPEO/CM, personal communication, July 15, 2011).

H. REQUIREMENTS APPROVAL DOCUMENT (RAD) AND EARLY STRATEGY AND ISSUES SESSION (ESIS)

Agencies that have new or recurring service needs that exceed \$100 million must first send a requirements approval document (RAD) through the MAJCOM and AFPEO/CM to the SAE for approval. This document must be signed off as a genuine requirement before the acquisition strategy can begin. Following a signed RAD, the AFPEO/CM conducts the early strategy and issues session (ESIS; R. Culpepper, personal communication, July 6, 2011).

The ESIS is a meeting conducted very early in the acquisition planning process (pre-acquisition strategy) between the AFPEO/CM and the program MAJCOM to discuss top-level strategies and issues affecting services acquisitions under the AFPEO/CM authority (AFPEO/CM, personal communication, July 15, 2011). The AFPEO/CM

conducts the ESIS at least 120 days before a scheduled ASP with the intention to help MAJCOMs map their ASP to reduce rework. The meeting is meant to be a collaborative meeting between all stakeholders in the services program to aid in their understanding of the acquisition environment to prevent uncertainty and rework in the acquisition planning process (AFPEO/CM, personal communication, July 15, 2011).

I. ACQUISITION STRATEGY PANEL (ASP)

The ASP is a slideshow that steers the acquisition team through the acquisition strategy process. It visually asks and answers important questions for stakeholders to consider when developing a services contract acquisition strategy. The ASP first explains the requested decisions from the panel (e.g., approvals and/or delegations requested, waivers, etc.). Next, the ASP addresses considerations of market intelligence and requirements development (to include small business concerns), and detailed risk management with potential evaluation criteria for the award decisions (including cost and performance oversight). Then, the ASP covers the solicitation and contract type (including type, duration, pricing structure and any special terms and conditions). Finally, the ASP specifically addresses what the MAJCOM will oversee during the performance of the contract, how the performance will be measured, and concerns and recommendations from the MAJCOM (AFPEO/CM, personal communication, July 15, 2011).

J. INITIAL EVALUATION BRIEFING (IEB)

Following the approval of the ASP and solicitation, the AFPEO/CM is involved in the source selection by having the MAJCOM conduct an initial evaluation briefing (IEB). The IEB is used for source-selection plans, and it is tailored to meet the specific requirements of acquisition's solicitation, reflective of the team's evaluation. Through the IEB, the MAJCOM outlines the initial evaluation of offers, determines a competitive range (if necessary), and obtains approval to enter discussions (AFPEO/CM, personal communication, July 15, 2011).

K. FINAL PROPOSAL REVISIONS REQUEST BRIEFING (FPRRB)

After establishing the competitive range, and following any discussions or negotiations, the MAJCOM holds a final proposal revisions request briefing (FPRRB). Through this briefing, the MAJCOM explains to the SSA the items resolved during discussions, allows for the determination of whether meaningful discussions were held, and requests authority to end discussions following a final proposal revision (AFPEO/CM, personal communication, July 15, 2011).

L. ANNUAL EXECUTION REVIEW (AER)

After the award of a major services contract, the AFPEO/CM continues with oversight of the process. The MAJCOM provides information to the AFPEO/CM for specific contracts for the purpose of sound management and oversight. The AFPEO/CM also uses the information from the MAJCOMs to grade the health of its respective services programs. All of this information is aggregated from multiple reporting slides that come from the MAJCOMs on all services acquisitions about which they are responsible for reporting. The slide template, known as a quad chart (Appendix K), is a part of the AFPEO/CM process that captures a snapshot of the top three elements of sound services program management, which are cost, schedule, and performance, and it is used in the forum of the annual execution review (AER). These slides provide background, performance status, contract basics (period, type, progress to date), budget status, and any pending program issues. They further identify the procuring contracting office, the administering contracting office, the award fee determining official (if applicable), the number of quality assurance personnel, and the contractor employees (newer slides are breaking this out into full-time equivalents [FTE] and part-time equivalents [PTE]). The program owner can support these slides, if necessary, with additional administrative reporting all the way to the task order level. The AFPEO/CM consolidates this information into a so-called stop light slide that they then present as AFPEO/CM Items of Interest to the Air Force SAE (AFPEO/CM, personal communication, July 15, 2011).

The AFPEO/CM also keeps records of any services program management peer reviews of contract actions that have been conducted between the MAJCOMs. This list details the dollar level of the review and at which stage in the acquisition process it took place (pre- or post-award). Also noted are the general positions of the members who conducted the peer review as well as the number of issues identified (AFPEO/CM, personal communication, July 15, 2011).

M. TRAINING AND AUDITING

The AFPEO/CM utilizes three separate training classes to inform, educate, and motivate acquisition professionals at different levels. These courses, developed in coordination with the University of Tennessee's Center for Executive Education and the Defense Acquisition University (DAU), are the Senior Leader Awareness Course, the Just-in-Time (JIT) training, and the Service Acquisition Workshop. All three courses are designed for a specific purpose, place, and time in the acquisition process and in the life of the multi-function team (AFPEO/CM, personal communication, July 15, 2011).

The Senior Leader Awareness Course provides senior MAJCOM, acquisition center, and wing leadership with a high level of understanding of what they are required to do to manage goods and services sourcing. It is used to create an understanding of the acquisition process and life cycle to permit leadership to make sound, informed decisions (AFPEO/CM, personal communication, July 15, 2011).

JIT training targets the multi-function teams in the field that are directly and currently involved in a major services acquisition. This training includes stakeholders and team members in multiple locations and across many disciplines. The training is broken into three modules that can be given concurrently or in stages throughout the acquisition process. It ranges from topics on the baseline understanding of needs to stakeholder analysis, risk analysis, and market intelligence all the way through development of a performance plan and performance work statement (AFPEO/CM, personal communication, July 15, 2011).

The Services Acquisition Workshop is also a form of JIT training. It is a four-day workshop that takes two facilitators directly to the location where the services program requirement is being created. The trainers walk the teams through a seven-step process from team development to performance management. This training is designed to build the team in place and have them jointly strategize the acquisition program management process (AFPEO/CM, personal communication, July 15, 2011).

To top off its training initiative, the AFPEO/CM is working to create a services acquisition certification for non-acquisition-coded personnel that manage service contracts to “enhance awareness of the importance of services acquisitions, promote continuous improvement, promote standardization, and enhance the workforce’s skills and knowledge of services personnel” (AFPEO/CM, personal communication, July 15, 2011). The hope is that certification will lead to better management of services contract spending, raise the services program management competency, and improve the overall process of buying and managing services (AFPEO/CM, personal communication, July 15, 2011).

Finally, the AFPEO/CM keeps detailed accounts of its current, pending, and closed audits on all of its major programs. This information is used to audit major services program areas ranging from acquisition planning, competition, and surveillance to financial management and work products produced (AFPEO/CM, personal communication, July 15, 2011). Audit results are mainly from the Air Force Audit Agency (AFAA) and include statements of what program or subject is being audited, along with detailed recommendations to the AFPEO/CM from the AFAA. The AFPEO/CM keeps a progress chart to stay involved and to make sure the actions recommended by the audit are undertaken (AFPEO/CM, personal communication, July 15, 2011).

N. SUMMARY

In this chapter we provided a history of the AFPEO/CM, a description of how it is organized and, most important, an explanation of the processes and procedures that the

office follows when working with the MAJCOMs to award and manage service contracts that fall under the AFPEO/CM authority. In the next chapter we address the methodology we used to conduct our research into the AFPEO/CM's best practices and lessons learned.

IV. METHODOLOGY

A. INTRODUCTION

Our structure draws almost exclusively from the GAO's *Framework*. The intent of this GAO report and the resultant framework was to help senior executives within federal agencies recognize areas requiring greater attention and to enable accountability offices such as the GAO and the DoD IG to identify areas requiring "more focused follow-up work" (GAO, 2005, p. i). This framework was developed by consulting federal government and industry specialists in the areas of human capital, acquisition, financial management, and information management. The GAO also relied heavily on its own findings in multiple GAO reports throughout the years. The GAO noted that the *Framework* is general guidance for assessing acquisition functions in accordance with existing guidance and standards; it is not a tool for assessing specific acquisition actions or contracts, and it is not a replacement of existing standards and guidance. The primary function of the framework is to provide executive management with the means to assess the strengths and weaknesses of high-level acquisition functions.

Our research involved using this framework to draw out and record best practices and lessons learned from the Air Force's implementation of the AFPEO/CM so that they could be used by the similar offices in the Army and the Navy. As in any research, there are limitations. We have focused entirely on Cornerstone 2 of the GAO *Framework*, and we have also aggregated multiple questions from the framework into more consolidated questions to streamline the interview process for senior executives (Appendix A). Because the Army and the Navy have already implemented the organizational alignment of their AFPEO/CM-equivalent offices, we see Cornerstone 2 as being the next most logical area of focus in which to assist them while they fully establish their offices. The entire GAO *Framework* is broken out into easy-to-follow areas for each cornerstone element, listed as "key questions" to ask, areas to "look for" and "caution" indicators (GAO, 2005, p. ix). The GAO (2005) designed the key questions to identify critical success factors, they also designed areas to look for to indicate actions that facilitate a

positive acquisition outcome, and caution indicators show signs of practices or actions that hinder positive acquisition outcomes.

Our results are formatted in a similar manner as previous best practice reports produced by the GAO. We developed our general report outline and summary of results from a review of previous GAO best practice reports and testimonies. These GAO reports and testimonies are segmented into areas of best practice with tables illustrating a side-by-side comparison of the system or organization and its previous practices or its competitor's practices.

B. DATA COLLECTION PROCESS

To best study the AFPEO/CM, we conducted oral interviews with members of the current AFPEO/CM, with the leaders that established the office, and with other key stakeholders and customers to identify responses that indicated both best practices and areas of caution in accordance with Cornerstone 2 of the *GAO Framework*. To broaden our study's sample, we asked each interviewee to recommend additional interview subjects—a method called chain or snowball sampling (Patton, 2002). The first interview subjects we selected were the current acting Program Executive Officer for Combat and Mission Support at the AFPEO/CM, Mr. Randall Culpepper, and its most recent Program Executive Officer, Major General Wendy Masiello. These two individuals gave us the top-level perspective of how the AFPEO/CM operates and some of the rationale behind the current policies. Using the snowball sampling method, these first two interviewees gave us recommendations to interview other previous Combat and Mission Support Program Executive Officers, customers of the AFPEO/CM, and the senior staff of the AFPEO/CM. We conducted most of the interviews over the phone, except our meeting with the AFPEO/CM division leaders, which was at their office in Washington, DC.

Finally, we had the interview responses transcribed, and then we reviewed the transcripts for key comments, phrases, and process indicators that matched the best practices and caution indicators listed in the *GAO Framework*, Cornerstone 2. Specifically, we both reviewed the transcripts individually and highlighted the important

best practices and lessons learned. Because we performed each interview as a team, and because the interview questions were focused on the best practices and lessons learned, our reviews of the transcripts largely uncovered the same findings. In the few instances when our reviews did not match, we discussed the differences and combined our findings. The results of these statements we reviewed were the primary source of best practice and lessons learned inputs we compiled, which are listed in Chapter V.

C. CORNERSTONES

After reviews and consultations, the GAO constructed its final framework into four main areas or cornerstones. These cornerstones are as follows: (1) organizational alignment and leadership, (2) policies and processes, (3) human capital, and (4) knowledge and information management. These cornerstones are interrelated and serve as effective indicators of the efficiency, effectiveness, and accountability of an acquisition process. The GAO developed each cornerstone with a complete list of elements and critical success factors. The GAO identified the elements crucial to successful organizational stewardship and the elements that were dependent upon the critical success factors listed. The framework answers the question of whether an organization is meeting the critical success factors with three indicators: (1) questions to ask, (2) situations to look for, and (3) caution signs to be aware of (GAO, 2005).

1. Cornerstone 2 – Policies and Processes

Cornerstone 2 of the GAO *Framework* consists of three main elements and eight critical success factors. These elements and factors are used to assess how well an agency is “implementing the acquisition function” (GAO, 2005, p. 11). Cornerstone 2 explains how well the organization defines its roles, empowers its people across the acquisition organization, and strategically plans to manage the acquisition process in such a way that meets the established expectations of its stakeholders (GAO, 2005).

a. Element 1

Element 1, titled Planning Strategically, asks questions regarding the critical success factors of (1) partnering with internal organizations and (2) assessing internal requirements and the impact of external events. Planning strategically involves managing relationships within the acquisition process, strategically analyzing and planning for aggregate needs, and considering the effects of the appropriations process and external forces on the implementation of major contracts. Answering the first critical success factor indicates how well the agency collaborates with internal organizations such as the end users, finance management, and legal personnel. Research shows that multi-disciplinary approaches to acquisition generally result in more effective mission support (GAO, 2002). The second critical success factor indicates how well the agency conducts market research and acquisition planning based on the agency's competence in reviewing the commercial market, leveraging buying power, and analyzing aggregate needs while considering appropriations and legislative timing and constraints (GAO, 2005).

b. Element 2

Element 2, titled Effectively Managing the Acquisition Process, asks questions regarding the critical success factors, continuing from Element1, of (3) empowering cross-functional teams, (4) managing and engaging suppliers, (5) monitoring and providing oversight to achieve desired outcomes, and (6) enabling financial accountability. Effectively managing the acquisition process involves looking at the critical success factors that ensure that agencies manage contracts from cradle to grave. It considers the agencies' success in monitoring cost, schedule, and performance until the contract is closed out. Answering the third critical success factor indicates how well the agency implements teams that have the proper mix of technical expertise, knowledge, and credibility to properly define needs, select suppliers, and manage the acquisition process to ensure the lowest possible total life cycle cost. Answering the fourth critical success factor indicates how well the agency teams with suppliers and manages that relationship. Cooperative supplier relationships have been shown to directly lead to improvements in

cost, schedule, and performance in leading organizations with effective feedback systems (GAO, 2002). The fifth critical success factor is another focus area that shows how well organizations monitor cost, schedule, and performance by using effective oversight such as earned value management (EVM). The sixth and final critical success factor in Element 2 assesses how well agency functions provide sufficient financial data in a manner that is timely, relevant, and reliable enough to reduce the risk of inefficient or wasteful acquisition practices (GAO, 2005).

c. *Element 3*

Element 3, titled Promoting Successful Outcomes of Major Projects, asks questions regarding the critical success factors of (7) using sound capital investment strategies, and (8) employing knowledge-based acquisition approaches. Element 3 looks at these critical success factors to determine how well agencies monitor, analyze, and support their capital-intensive projects and contracts with the longest terms. The seventh critical success factor indicates how well an agency integrates the overall mission and goals into its capital-intensive programs, invests its resources in its major projects, and considers total life cycle costs. The eighth critical success factor indicates how well the agency manages knowledge to control cost, schedule, performance, and quality. It involves the agencies' perceived consideration for resource matching, design stability, and production process maturity as key knowledge points in planning and managing the acquisition process (GAO, 2005).

D. SUMMARY

In this chapter, we provided a basic overview of our best practice report format and the GAO *Framework*. We also discussed the outline of the *Framework*, the study's primary focus of Cornerstone 2 and its related elements. In the next chapter, we discuss the results of our interviews.

THIS PAGE INTENTIONALLY LEFT BLANK

V. FINDINGS, RESULTS, AND RECOMMENDATIONS

A. INTRODUCTION

In this chapter we discuss our results of the interviews in terms of the primary research question: What are the best practices within the AFPEO/CM structure? Furthermore, we address the secondary questions: What are the primary lessons learned from working with the AFPEO/CM, and what recommendations should the Army and the Navy incorporate in order to develop a senior manager position for service acquisition? In this chapter we present the results of the interviews we conducted with the current and some previous AFPEO/CM leaders, program managers, key customers, and other external stakeholders. During the interviews, we asked questions that the GAO designed to draw out areas identified in Cornerstone 2 of its *Framework* as best practices (identified as items to look for within the GAO report) and caution areas (identified as cautions; GAO, 2005).

Furthermore, in this study we draw out lessons learned from the AFPEO/CM as well as recommendations for the Army and Navy in establishing positions for senior managers for services acquisitions. We also outline recommendations for the Army and Navy in context of the aforementioned GAO *Framework*, Cornerstone 2. As mentioned in Chapter IV of this research report, the entire GAO *Framework* is broken out into areas for each cornerstone element listed as key questions to ask, areas to look for, and caution indicators (GAO, 2005). The GAO (2005) designed the key questions to identify critical success factors, they also designed areas to look for to indicate actions that facilitate a positive acquisition outcome, and caution indicators show signs of practices or actions that hinder positive acquisition outcomes.

B. ADMINISTRATION OF THE INTERVIEWS

We identified the interviewees by looking for the past and present Program Executive Officers from the AFPEO/CM. We conducted interviews with three key external stakeholders (two from the Acquisition Management & Integration Center

[AMIC] and the Air Force Chief Information Officer) and with eight current and former officials from the AFPEO/CM. In total, we interviewed 11 individuals. During our interviews, the past and present Program Executive Officers recommended the names of the stakeholder and AFPEO/CM program managers we interviewed, creating the snowball sample identified in Chapter IV of this report.

We conducted interviews through recorded telephone interviews for seven of the personnel. We interviewed the program managers from the AFPEO/CM in person with audio recording. The current acting Program Executive Officer for Combat and Mission Support at the AFPEO/CM, Mr. Randy Culpepper, went through the full 24-question interview that closely mirrored the key questions from the GAO *Framework*. All other interviewees received the abridged nine-question interview that addressed the key questions of this study. After the first interview with Mr. Culpepper, we discovered that interviewees could answer or address our primary and secondary research questions if we used only the abridged list. By answering Questions 1, 2, 3, 4, 10, 16, 18, 21, and 22 from our list of interview questions (Appendix A), the interviewees effectively addressed the areas to look for and the caution indicators from Cornerstone 2 of the GAO *Framework*.

C. RESULTS OF THE INTERVIEWS AND BEST PRACTICE STUDY

In this section we identify the results of our interviews. We consolidated the interview results into each element and critical success factor from Cornerstone 2 of the GAO *Framework* to show a comparison between the GAO's critical success factor and the AFPEO/CM's initiatives that meet these criteria. We follow each narrative summary with a table of the best practices identified. Additionally, we compiled the interview results involving lessons learned and recommendations for the Army and Navy into a list for ease of use.

1. Element 1: Planning Strategically

Element 1, Planning Strategically, addresses how well the agency collaborates with internal organizations such as the end users, finance, and legal personnel, and how

well the agency conducts market research and acquisition planning based on the agency's competence in reviewing the commercial market, leveraging buying power, and analyzing aggregate needs while considering fiscal appropriations and legislative timing and constraints (GAO, 2005). This element focuses on the broader strategic areas in which acquisitions occur and the degree of detail in planning acquisitions (GAO, 2005). Our interviews produced the findings in Table 1.

Table 1. AFPEO/CM Best Practices From Element 1

<u>GAO Best Practice from Cornerstone 2, Element 1: Planning Strategically</u>	<u>AFPEO/CM Best Practices</u>
a. Partnering with Internal Organizations	(1) Official Charter with SAE (2) Delegation Scheme (3) Services Program Health (4) Services Workshop
b. Assessing Internal Requirements and the Impact of External Events	(1) Advance Procurement Planning (2) Requirements Validation Process (3) External Political Factors Anticipation (4) Early Strategies and Issues Session (5) Enterprise Vantage Point (6) Full-Time Market Intelligence Expert

a. Partnering with Internal Organizations

We identified four major best practices in the area of partnering with internal organizations from the AFPEO/CM. This area of the GAO *Framework* focuses on empowering stakeholders while holding them accountable, on acquisition planning and strategy support, on defining stakeholder needs, on sharing lessons learned, and on coordination of stakeholders in the acquisition strategy development and implementation process (GAO, 2005).

(1) Official Charter with Senior Acquisition Executive (SAE). First, the AFPEO/CM signs a charter with the Air Force SAE acknowledging its duties and responsibilities. This charter expressly identifies that the AFPEO/CM must operate

as the responsible management official, providing overall direction and guidance for services acquisition. Further, the charter expresses that the AFPEO/CM must establish an Air Force Services requirements process, set up a source selection improvement process, and improve program management and oversight of services acquisitions. Finally, the charter expresses that the AFPEO/CM is responsible for managing the life cycle of services acquisitions and alludes to the life cycle approach to services acquisitions identified in U. Apte and Rendon's (2007) research.

(2) Delegation Scheme. To pass these responsibilities to the field, the AFPEO/CM has developed a comprehensive delegation scheme, which includes expectation management agreements (EMAs), that force MAJCOMs to realize their contract execution potential and create an introspective look into their abilities (R. Poussard, personal communication, June 29, 2011). This delegation scheme empowers the MAJCOMs and creates a greater sense of accountability (W. Masiello, personal communication, July 7, 2011). Additionally, the delegation scheme acts as a prime motivator toward good services acquisition development (R. Culpepper, personal communication, July 6, 2011). Finally, the use of a comprehensive delegation scheme allows the small staff at AFPEO/CM to leverage their expertise and provide guidance for maximum effectiveness. The AFPEO/CM uses the delegations as a grooming process for MAJCOMs to become internal experts in high-dollar and more complex services acquisitions in the future. In keeping with the GAO *Framework's* critical success factors, this delegation scheme shows strong signs of empowering stakeholders and holding them accountable, while supporting the agency structure requiring appropriate coordination between stakeholders for requirements and acquisition strategy development.

(3) Services Program Health. The MAJCOM services program health briefings, explained in Chapter III of this report, are another strong example of partnering with internal organizations. The services program health briefings work with the delegation scheme to assess the relative competencies of how the MAJCOMs handle high-dollar and more complex services acquisitions. The AFPEO/CM grades the MAJCOMs more favorably and provides a higher degree of empowerment for proving

that they have a forward looking perspective, seek continuous improvements, collaborate to solve problems, have sound program management, and demonstrate functional ownership and fiscal responsibility. This assessment adds to the GAO's critical success factor indicators of empowering stakeholders and holding them accountable, continuous work among stakeholders to define key business drivers and understand each other's needs, and requiring appropriate coordination for developing and implementing strategy among stakeholders.

(4) Services Workshop. The training and lessons learned provided in the AFPEO/CM services workshop held every 12 to 18 months has also been identified as a best practice by multiple interviewees. Attendees discuss hot-button items within the services contracting arena and share services acquisition information. This information-sharing goes from the AFPEO/CM to the field and from members in the field to other members in the field. According to Mr. Rob Clarke (personal communication, July 15, 2011) at the AFPEO/CM, the workshop is "where we're going to get the next level of benefit ... when the field starts talking with each other and they start sharing ideas and then they're going to come up with better ways of doing stuff." This workshop adds directly to the GAO critical success factor of identifying lessons learned and sharing them among stakeholders. Furthermore, it addresses the need for strong coordination efforts between stakeholders in the acquisition planning process.

b. Assessing Internal Requirements and the Impact of External Events

We identified six major best practices in assessing internal requirements and in the impact of external events area. These areas of the GAO *Framework* (2005) focus on strategically assessing needs, leveraging purchase volume, and systematically identifying and analyzing "agency-wide acquisitions planned in the next 12 to 24 months" (p. 15). Additionally, the *Framework* focuses on reviews of planned acquisitions, determining work to be performed in-house, agency assessments of core-competencies and commercial items, tracking of pending legislation affecting policies and processes, planning for unforeseen events, and meeting competing demands (GAO, 2005).

(1) Advance Procurement Planning. The AFPEO/CM's advanced acquisition planning is one of its most important and relevant critical success factors. The AFPEO/CM requires each MAJCOM to plan service acquisitions 24 months in advance. This planning window allows time to plan and analyze alternatives to the current acquisition method. The AFPEO/CM and the requiring agencies use this time to validate requirements before they develop an acquisition strategy. These early planning sessions work on a loop that feeds information back into their delegation scheme and the AFPEO/CM uses it as a direct measure of success in getting the contracts awarded on time.

(2) Requirements Validation Process. There is a formal requirements approval document (RAD) for acquisitions over \$100 million that the Air Force SAE must approve before the acquisition process can start. These advanced acquisition planning methods meet the GAO *Framework's* critical success factors by strategically assessing the Air Force's services needs within the 12- to 24-month timeframe (R. Culpepper, personal communication, July 6, 2011), while also considering and determining how much work can be done in-house and assessing the agency's core competencies. These efforts work in concert with the Air Force's Enterprise Sourcing Group's mission to strategically source requirements for the Air Force.

(3) External Political Factors Anticipation. The AFPEO/CM has also shown the ability to address pending legislation issues that affect its acquisition policies, procedures, training, and workload (GAO, 2005). For example, the office worked with the Air Education and Training Command (AETC) to identify aspects of food service laws that would have created a lapse in service. Additionally, the AFPEO/CM grades MAJCOMs on how well they provide communication and feedback, which encourages a cross-flow of information to head off potential problems, similar to the AETC example (R. Culpepper, personal communication, July 6, 2011). In keeping with this proactive approach, the AFPEO/CM has started to keep track of full-time equivalent contract employees in anticipation of congressional interest in this area. This example shows a high degree of forward-looking planning for policies and processes.

(4) Early Strategies and Issues Sessions. The best practice most often identified by all interviewees was the use of early strategies and issues sessions (ESIS). All AFPEO/CM stakeholders we interviewed labeled the ESIS as a best practice. The ESIS creates an opportunity for dialogue in which the users can come and talk about their issues before they develop an acquisition strategy panel (ASP). The ESIS also allows teams to go over what-if scenarios that may become problems later, including external events, political considerations, and any other concerns. Most interviewees highlighted the informal nature of the meeting and the ease of communicating their ideas, issues, and concerns. All interviewees indicated that it reduced rework normally associated with an ASP developed without an ESIS. The ESIS falls under the critical success factors of the agency having a mechanism for reviewing planned acquisitions, further assessing core competencies, assessing the response to unforeseen events and emergencies, strategically assessing need, and considering competing demands.

(5) Enterprise Vantage Point. The Air Force stood up the Enterprise Sourcing Group in October 2010 to strategically source the acquisition of goods and services. The AFPEO/CM works directly with the Enterprise Sourcing Group on all service acquisitions above \$100 million. This concerted effort between offices creates a method to identify enterprise purchasing that the Air Force can leverage for strategic sourcing. This collaboration also allows the AFPEO/CM to strategically assess its needs and develop enterprise sourcing plans. Furthermore, the AFPEO/CM has shown enterprise visibility across MAJCOMs by being the conduit for major services acquisitions. As a result, the Air Force has started to regionalize advisory and assistance services (A&AS) contracts in Air Combat Command and the Air Force District of Washington. Recently, the Office of the Secretary of Defense asked the AFPEO/CM to look across the DoD in an effort to create an enterprise solution for A&AS (R. Culpepper, personal communication, July 6, 2011).

(6) Full-Time Market Intelligence Expert. The AFPEO/CM recently employed a full-time market intelligence expert to look across multiple portfolios of services and determine areas and disciplines that can be combined and/or

leveraged for strategic sourcing (R. Culpepper, personal communication, July 6, 2011). This type of analysis gives a deeper look into the market using industry and spend analysis to find opportunities to bundle taxonomies of service and/or regionalize to leverage spend volume. This effort directly addresses the GAO *Framework's* critical success factors of strategically assessing needs and leveraging agency purchasing volume.

2. Element 2: Effectively Managing the Acquisition Process

Element 2, Effectively Managing the Acquisition Process, asks questions regarding the critical success factors that indicate how well agencies manage acquisitions after contract award has been made. These factors focus on how well agencies manage cost, schedule and performance requirements of contracts through the use of cross-functional teams, managing suppliers, providing oversight and implementing sound financial accountability measures” (GAO, 2005). Our interviews produced the findings shown in Table 2.

Table 2. AFPEO/CM Best Practices From Element 2

<u>GAO Best Practice from Cornerstone 2, Element 2: Effectively Managing the Acquisition Process</u>	<u>AFPEO/CM Best Practices</u>
a. Empowering Cross-Functional Teams	(1) Services Program Health (2) Delegation Scheme (3) Services Workshop
b. Managing and Engaging Suppliers	(1) AFPEO/CM and Service Advocates at MAJCOM Level (2) Industry Days (3) Identifying Key Vendors
c. Monitoring and Providing Oversight to Achieve Desired Outcomes	(1) Annual Execution Review (2) Expectation Management Agreements (3) Services Acquisition Air Force Instruction
d. Enabling Financial Accountability	(1) Annual Execution Review (2) Delegation Scheme (3) Services Program Health

a. Empowering Cross-Functional Teams

The AFPEO/CM has three major best practices in the critical success factor of empowering cross-functional teams. This area of the GAO *Framework* focuses on using cross-functional teams in acquisitions, empowering the teams, incentivizing the teams, communicating within the teams, holding the team accountable, using project planning by the teams, and holding outside reviews of the team's cost, schedule, and performance goals (GAO, 2005). For example, strong cross-functional teams in acquisition include personnel from the departments of contracting, finance, legal, operations, and program management.

(1) Services Program Health. Interviewees noted the services program health briefing again under this critical success factor as an important best practice by the AFPEO/CM. From the perspective of empowering cross-functional teams, the services program health briefings help meet the intent of the GAO *Framework* by creating a two-way feedback mechanism to enhance communication between the AFPEO/CM and MAJCOMs. This briefing also allows MAJCOMs to assess themselves first, and then lets the AFPEO/CM evaluate them to see how well they assessed themselves. The AFPEO/CM provides the final grade. However, the AFPEO/CM uses the grade as a judgment of how much acquisition support the MAJCOMs need, not to show how well or poorly they are performing. The intent of the grading system and briefing is to establish an open and continuous dialogue between the AFPEO/CM and the field. This practice shows open, honest, and clear communication between the teams and the AFPEO/CM as well as helps to monitor the project's performance to facilitate positive acquisition outcomes.

(2) Delegation Scheme. In line with the services health briefings is the delegation scheme. From the perspective of empowering cross-functional teams, the AFPEO/CM uses the delegation scheme previously mentioned to monitor and control its acquisition portfolio by making the large volume of projects manageable and easier to control. Furthermore, the delegation scheme directly incentivizes the MAJCOMs by giving them accountability for project plan goals in specific acquisitions as well as in

their annual performances within their entire service acquisition portfolio. This delegation meets the area to look for in the GAO *Framework's* regarding the agency's systematic monitoring of project performance and the establishment of accountability controls and incentives (GAO, 2005).

(3) Services Workshop. The services workshops held by the AFPEO/CM were identified again as a best practice with regard to empowering cross-functional teams. To facilitate open, honest, and clear communication (GAO, 2005), the AFPEO/CM held initial services workshops with key stakeholders and customers to explain how the health assessments worked. Beginning in 2010, the AFPEO/CM holds these workshops every 18 months to provide an exchange of information from AFPEO/CM to the field and from the field to the AFPEO/CM, and to provide roundtable discussions from field to field stakeholders and customers. The initial services workshops were comprised almost entirely of contracting personnel from the various MAJCOMs, but recently they have been comprised of a 50/50 mix of contracting personnel and multi-functional team representatives (i.e., representatives from the finance, legal, operations, and program management departments; AFPEO/CM, personal communication, July 15, 2011). This best practice shows encouragement for the use of cross-functional teams in a manner that is evolving into a more dynamic mix of stakeholders as it continues. Lessons learned and hot-button items are discussed and shared from across the Air Force by acquisition professionals who have experiences in the field as well as by MAJCOM professionals who have specific experiences from working with the AFPEO/CM (AFPEO/CM, personal communication, July 15, 2011).

b. Managing and Engaging Suppliers

In our interviews we identified three best practices from the AFPEO/CM in managing and engaging suppliers. The GAO *Framework* states that cooperative business relationships relate to lower costs, higher quality, and shorter lead-times (GAO, 2005). Agencies can achieve these relationships by placing supplier management as a core business strategy, by utilizing strong supplier evaluation criteria, and by maintaining positive and continuous communication and feedback (GAO, 2005).

(1) AFPEO/CM and Service Advocates at MAJCOM Level. The AFPEO/CM meets the intent of managing and engaging suppliers at an enterprise level solely by its existence and mandated involvement in acquisitions over \$100 million. In practice, the AFPEO/CM establishes service advocates at each MAJCOM. This practice of assigning a services advocate meets the GAO *Framework's* critical success factors by establishing “managers for key goods and services” who are “actively involved in defining requirements with internal clients, negotiating with potential providers of goods and services, and assisting in resolving performance or other issues after the contract is awarded” (GAO, 2005, p. 18).

(2) Industry Days. Industry days and vendor fairs are common practices for gathering market information for future acquisitions. The AFPEO/CM has utilized these practices in a unique way to explain to the market what its function is as the PEO and how they plan to interface with the market, as opposed to just asking the market to explain its capabilities. This unique approach to supplier engagement highlights a strong communication and feedback practice between the agency and the service provider base that falls directly within the criteria explained in the GAO *Framework*.

(3) Identifying Key Vendors. Finally, the AFPEO/CM uses Federal Procurement Data System-Next Generation (FPDS-NG) data to determine the key vendors within spending portfolios and uses requests for information to get industry's inputs on potential ways to improve future services acquisitions. In addition, the AFPEO/CM recently hired a market intelligence expert to address the best ways to optimize these spending portfolios at a strategic level. This strategic view directly addresses the GAO *Framework* criteria for having an agency process for identifying key suppliers (GAO, 2005).

c. Monitoring and Providing Oversight to Achieve Desired Outcomes

We noted three best practices in our interviews with personnel from the AFPEO/CM regarding monitoring and providing oversight. The GAO *Framework* states that, due to DoD's high reliance on contractor personnel to carry out mission

requirements, they need effective oversight processes and trained staff to oversee and ensure the effectiveness of contractor performance. Effectiveness, as defined in the GAO *Framework*, is measured across the spectrums of cost, schedule, and performance (GAO, 2005).

(1) Annual Execution Review. The use of quad charts (see Appendix K) and an annual execution review (AER) by the AFPEO/CM to help it track acquisition methods, incentives, cost, schedule, and performance goals for service acquisitions under its purview is an example of monitoring and providing oversight. The quad charts are also used in monitoring award fee decisions. In a single frame, managers can see the scope of work, budget and cost, performance history, issues, and contract type and methods. This efficiently and effectively creates a common language with which to communicate on service acquisition accountability (W. Masiello, personal communication, July 7, 2011). The AER and quad charts help the AFPEO/CM monitor quality assurance evaluator and contracting officer representative (COR) support to see if MAJCOMs are using the right number of evaluators and representatives. The use of these AERs and quad charts directly addresses the GAO *Framework's* concerns that agencies ensure personnel have the appropriate skills, knowledge, and responsibilities to monitor service acquisitions, and that agencies have the tools to track acquisition methods and control effective oversight (GAO, 2005).

(2) Expectation Management Agreements. Meeting the GAO *Framework's* concerns for clearly defining roles and responsibilities for those who manage and oversee these contracts, the AFPEO/CM uses expectation management agreements (EMAs) at the highest levels in the Air Force. The EMA discusses the responsibilities of the AFPEO/CM (see Figure 9), MAJCOM commander (see Figure 10) and MAJCOM service advocate (see Figure 11). The AFPEO/CM goes one step further by providing templates for the MAJCOM/CC to distribute the new policy on services acquisition within the MAJCOM (AFPEO/CM, personal communication, July 15, 2011).

(3) Services Acquisition Air Force Instruction. The AFPEO/CM is currently developing a comprehensive Air Force Instruction (AFI) for services

acquisition. This effort will aid in defining service acquisition roles, responsibilities, and processes and in providing knowledge and training to service acquisition personnel. The intent of separating the material in Chapter 4 of AFI 63–101 into a standalone AFI is to make it more forceful and to ensure that it is not ~~per~~ceived as...[being in the 63 series]...that does not apply to me type of thing” (AFPEO/CM, personal communication, July 15, 2011).

d. Enabling Financial Accountability

We noted three best practices from the AFPEO/CM in the subject criteria of enabling financial accountability. We already noted all of these best practices in other critical areas, but we address them here to show their applicability in this dimension of sound acquisition function policies and processes. This GAO *Framework* critical success factor relates to helping agencies provide goods and services within diminishing budgets by tracking and communicating useful, timely, reliable, and relevant financial data to prevent waste (GAO, 2005). The collective use of these tools allows the AFPEO/CM to monitor financial accountability while providing incentives for MAJCOMs to follow, record, and test the validity of cost, schedule, and performance status.

(1) Annual Execution Review. The AERs are critical to providing the AFPEO/CM, and ultimately the SAE, with frequent reports of cost, schedule, and performance metrics from contracts. The AER slides provide background, performance status, contract basics (period, type, progress to date), budget status, and any pending program issues. The AFPEO/CM can monitor cost ceilings to ensure they are not breached well in advance of a program problem through the slides. This monitoring directly aids in the timely and relevant processing of financial data in the service acquisitions.

(2) Delegation Scheme. The delegation scheme takes the MAJCOM’s Service Program Health assessments into consideration when determining what level of delegation to bestow on the MAJCOM (basic to platinum). As discussed in Chapter III of this report, the AFPEO/CM has developed a robust delegation scheme that

involves the use of tiered thresholds of responsibility available to each respective MAJCOM upon completion and sustainment of certain program management expectations.

(3) Services Program Health. MAJCOMs are assessed in the services program health briefings on their fiscal responsibility (Appendix J) based on their prudent decision-making for incentive and award fees along with the MAJCOM's cost control, budget management, and management of contracts with ceilings and not-to-exceed line items (AFPEO/CM, personal communication, July 15, 2011).

3. Element 3: Promoting Successful Outcomes of Major Projects

Element 3, Promoting Successful Outcomes of Major Projects, asks questions regarding how well agencies monitor, analyze, and support their capital-intensive projects and contracts with the longest terms, how well an agency integrates the overall mission and goals into its capital-intensive programs, invests its resources in its major projects, and considers total life cycle costs and how well the agency manages knowledge to control cost, schedule, performance, and quality (GAO, 2005). Capital investments require more monitoring because they span longer terms and expend significant resources (GAO, 2005). Our interviews produced the results in Table 3.

Table 3. AFPEO/CM Best Practices From Element 3

<u>GAO Best Practice from Cornerstone 2, Element 3: Promoting Successful Outcomes of Major Projects</u>	<u>AFPEO/CM Best Practices</u>
a. Using Sound Capital Investment Strategies	(1) Advance Procurement Planning (2) Requirements Validation Process (3) Delegation Scheme
b. Employing Knowledge-Based Acquisition Approaches	(1) Services Workshop

a. Using Sound Capital Investment Strategies

The GAO's (2005) capital investment critical success factor analyzes at how agencies manage infrastructure-type projects. Although the AFPEO/CM is only

responsible for service acquisitions, some of the underlying principles of this critical success factor still apply. Specifically, the GAO (2005) identified the need for an annual ~~needs assessment~~” (p. 23) and for identifying ~~appropriate levels of management review and approval~~” (p. 24) based on the acquisition’s complexity. Under the needs assessment and reviews, we identified three best practices from the AFPEO/CM.

(1) Advance Procurement Planning. For needs assessment, the AFPEO/CM conducts a robust advanced acquisition planning process. As mentioned previously, the AFPEO/CM analyzes pending acquisitions 24 months in advance, which allows for the time and flexibility to change the acquisition strategy or cancel the procurement, if necessary. This vetting at the SAE level gives senior management a chance to integrate larger organizational goals, which was a critical success factor found in leading organizations by the GAO (2005, p. 22).

(2) Requirements Validation Process. The AFPEO/CM mandates a requirements approval document (RAD) to certify the requirement before the acquisition process formally begins (R. Culpepper, personal communication, July, 6 2011). The advanced procurement planning and the RAD approval ensure the services are actually required and give the AFPEO/CM time to determine how to meet the requestor’s needs more effectively.

(3) Delegation Scheme. The other best practice under the capital investment critical success factor is the AFPEO/CM’s delegation scheme. The AFPEO/CM’s delegation scheme is a great example of the GAO’s principle of requiring management review and approval at different levels. Each MAJCOM can earn approval authority for acquisitions up to the DoD review threshold (\$2 billion) based on how well they manage their programs (AFPEO/CM, personal communication, July 15, 2011). The delegation allows the AFPEO/CM to focus on acquisitions larger than \$2 billion that are usually more complex.

b. Employing Knowledge-Based Acquisition Approaches

Similar to the capital investment strategy, the GAO (2005) based its evaluation of knowledge-based acquisition approaches on weapon systems research and development and product procurement (not on service acquisitions). However, within the knowledge-based acquisition approach, one of the areas to look for in effective organizations was how the organization uses lessons learned (GAO, 2005).

(1) Services Workshop. We discovered through our interviews that one of the AFPEO/CM's best practices is the services workshop. The AFPEO/CM office hosts the services workshop each year to disseminate new DoD policy, new Air Force policy, and lessons learned from recent large service acquisitions between contracting personnel and customers. The workshop also has roundtable discussions with personnel from the field to allow for a cross-flow of ideas to improve services acquisitions (AFPEO/CM, personal communication, July 15, 2011) across the Air Force.

D. LESSONS LEARNED AND RECOMMENDATIONS TO THE ARMY AND NAVY

1. Lessons Learned

The following is a list of lessons learned from the AFPEO/CM and its stakeholders, which we collected during our interviews. We developed these lessons learned based on practices that were identified by the AFPEO/CM leadership and/or stakeholders as valuable when establishing a new office to oversee service acquisitions. This list is a compilation of all the suggested lessons from the interviews:

- DoD agencies should not rely on contracting personnel to perform as the services acquisition program managers. (This is directly in line with recommendations from U. Apte and Rendon's 2007 research entitled *Managing the Service Supply Chain in the Department of Defense: Implications for the Program Management Infrastructure*.)

- Senior managers for the acquisition of services (as defined by USD[AT&L], 2010b) should get early buy-in from senior leaders on the importance of services acquisitions.
- Senior managers for the acquisition of services should ensure their offices are staffed adequately, specifically with cross-functional experts including personnel from departments such as contracting, finance, program management, legal, and operations.
- The SAE should embrace services acquisition as a core part of his or her responsibility, build a sense of ownership, and create policies to institutionalize lessons learned.
- Senior managers for the acquisition of services should evaluate contract review processes and timelines to ensure they are adding value and not too time consuming.
- The SAE should be willing to assume and manage risk (not simply avoid it).
- The SAE should create rules of engagement for field personnel and higher level reviewers when working with the senior manager for the acquisition of services office.
- Senior managers for the acquisition of services should leverage new technologies when managing services acquisitions.
- Senior managers for the acquisition of services should develop a plan and consider the time it takes for contractor transitions in a competitive environment for large follow-on acquisitions.
- Senior managers for the acquisition of services should work closely with the Small Business Administration when considering large enterprise-wide contracts.
- Senior managers for the acquisition of services should institute quarterly communication of lessons learned, hot-button items, and how to make acquisitions better by communicating this information in-person, in a newsletter, or through an online database.

- Senior managers for the acquisition of services should create a repository of service acquisition best practices for MAJCOM and other customers.

2. Recommendations From Interviews

During our interviews, we specifically asked interviewees for recommendations from the AFPEO/CM and its stakeholders for the Army and Navy to use as they establish positions for senior managers for the acquisitions of services. The following list represents the recommendations we recorded:

- Gauge the size of the department's mission and decide what levels are important for oversight. The \$100 million threshold may not be the best for every agency.
- Develop strong communication strategies, to include inviting industry to see and hear how the PEO for services operates with industry and fits in as a part of the federal procurement process.
- Get early top-level support with a written charter or agreement of expectations.
- Be patient.
- Staff the service manager's office with a multi-functional team of experts.
- Bridge the gap between the acquisition community and the functional communities within your agency through training with the help of the DAU.
- Rotate personnel through and within the service manager's office to spread lessons learned through the entire agency and to get broader training and experience for personnel.
- Adequately fund the senior manager for services office to allow it to train agency customers during acquisitions.
- Develop a robust data system to track acquisition schedules and key milestones.
- Create a repository of best practices for customers to learn and pull from.
- Institute strong post-award processes for monitoring and oversight (e.g., AERs and services program health assessments).
- Create an incremental plan to implement the senior manager for services office; do not try to put it into operation overnight.

3. Recommendations From This Research Project

The following sections list the recommendations to the Army and Navy that we derived from the best practices, lessons learned, and recommendations suggested by interviewees from the AFPEO/CM; these recommendations express the top five practices that can assist the Army and Navy in successfully managing the creation of senior manager for services acquisition offices. These recommendations do not include all best practices, lessons learned, or recommendations available. We selected these recommendations based on the initial development stage in which they function and on the high number of critical success factors that each one fulfills from the GAO *Framework*.

a. Recommendation 1

Develop a delegation scheme that includes clear EMAs—similar to those used by the AFPEO/CM—that develop internal accountable oversight of services acquisitions to aid in partnering with internal organizations, empowering cross-functional teams, monitoring and providing oversight to achieve desired outcomes, enabling financial accountability, and using sound capital investment strategies.

b. Recommendation 2

Develop a requirements validation process similar to the AFPEO/CM's RAD that allows requirements to be vetted early to aid in assessing internal requirements and the impact of external events and in using sound capital investment strategies.

c. Recommendation 3

Conduct informal planning meetings similar to the AFPEO/CM's ESIS to allow for open idea flow, communication, and reduction in rework that aids in assessing internal requirements and the impact of external events.

d. Recommendation 4

Develop a review and accountability process similar to the AFPEO/CM's services program health briefings that gives an enterprise-wide snapshot of the condition of the services contract portfolio management of an organization to aid in partnering with internal organizations, empowering cross-functional teams, and enabling financial accountability.

e. Recommendation 5

Hold discussions for sharing lessons learned and best practices similar to the AFPEO/CM's services workshop at least annually to aid in partnering with internal organizations, empowering cross-functional teams, and employing knowledge-based acquisition approaches. We recommend, based on discussions with the AFPEO/CM customers, that this practice be enhanced by using consistently updated online tools such as a Wiki to enable the senior manager for services office and the field to share with other members in the field in real-time, rather than once every 12 to 18 months.

E. SUMMARY

In this chapter we discussed the results of our study in terms of the primary research question: What are the best practices within the AFPEO/CM structure? Furthermore, we addressed the secondary questions: What are the primary lessons learned from working with the AFPEO/CM, and what recommendations should the Army and the Navy incorporate in order to develop their senior manager position for service acquisition? In this chapter we also presented the results of the interviews we conducted with previous and prior AFPEO/CM leaders, program managers, and key customers and stakeholders. In these interviews we asked questions that were designed to draw out areas identified in Cornerstone 2 of the GAO *Framework* as best practices (identified as items to look for in the GAO report) and caution areas (identified as cautions in the GAO report).

Furthermore, in this study we drew out lessons learned from the AFPEO/CM as well as recommendations for the Army and Navy as they establish their senior manager

for the acquisition of services. We discussed recommendations for the Army and Navy, as well as the AFPEO/CM, in the context of the aforementioned GAO *Framework*, Cornerstone 2. In the next chapter we provide a summary of our research, a conclusion, and areas for further research.

THIS PAGE INTENTIONALLY LEFT BLANK

VI. SUMMARY, CONCLUSIONS, AND AREAS FOR FURTHER RESEARCH

A. INTRODUCTION

In this chapter we provide a summary of our research, conclusions drawn from the study, and areas highlighted for further research. The purpose of this study was to provide the Air Force, the Army, and the Navy with a benchmark study of lessons learned from the creation and operation of the AFPEO/CM. The USD(AT&L) outlined in his Better Buying Power memorandum (2010b) to all secretaries of the military departments and directors of the defense agencies the need to improve tradecraft in service acquisition across the DoD. This memorandum (USD[AT&L], 2010b) required the Army and the Navy to create a senior manager for the acquisition of services “following the Air Force’s example” (p. 11). In this benchmark study we sought to use the GAO *Framework* to provide a list of best practices to Army and Navy acquisition leaders. In this report we provided the background and purpose of this benchmark study, the research questions developed, the methodology for answering these questions, a comprehensive literature review of the subject studied, a description of the agency studied, a discussion of how the information was collected, an analysis and interpretation of the results, conclusions from the results of the study, and, finally, areas for future research.

B. SUMMARY

DoD contract management has been on the GAO’s high-risk list since 1992. In reviewing the acquisition of services, the GAO has found that the DoD exposes itself to “unnecessary risks” by being inefficient and ineffective (GAO, 2007, p. 5). As of FY2009, DoD service contracts exceeded product contracts 57% to 43% in terms of dollar value (USD[AT&L], 2011). This combination of high dollar value and high risk make efficient and effective service contract management a key requirement of DoD acquisition reform. The current USD(AT&L), Dr. Ashton Carter, established the need to adopt government practices that encourage efficiency. Until recently, the AFPEO/CM

was the only senior executive in the DoD's military departments dedicated to the execution of contract services acquisition. One of the primary practices identified by Dr. Carter was the need to manage service acquisition oversight and policy at more senior levels, in line with the AFPEO/CM model, for all of the DoD.

In this study we assessed best practices of the AFPEO/CM by using Cornerstone 2 from the GAO *Framework* (2005). The primary function of the *Framework* is to provide executive management with a means to assess the strengths and weaknesses of high-level acquisition functions. Based on Cornerstone 2, we developed a list of interview questions (Appendix A) to ask members of the Air Force acquisition and contracting communities. We interviewed the current acting Program Executive Officer for Combat and Mission Support at the AFPEO/CM, Mr. Randall Culpepper, as well as some of his predecessors. In addition, we interviewed four individuals in the AFPEO/CM as well as some of the primary customers of the AFPEO/CM.

C. CONCLUSIONS

We present the conclusions of this study in the context of the research questions we defined in Chapter I. In this study we assessed the following primary research question:

- What are the best practices within the AFPEO/CM structure?

The best practices noted most often by the interviewed subjects and that most closely tied to the intent of Cornerstone 2 of the GAO *Framework* were the delegation schemes with EMAs, the requirements validation process, the ESIS, the service program health briefings, and, finally, the services workshops. These practices aid in partnering with internal organizations, empowering cross-functional teams, monitoring and providing oversight to achieve desired outcomes, assessing internal requirements and the impact of external events, enabling financial accountability, using sound capital investment strategies, and employing knowledge-based acquisition approaches.

Table 4. AFPEO/CM Best Practices Summary

<u>GAO Best Practice from Cornerstone 2, Element 1: Planning Strategically</u>	<u>AFPEO/CM Best Practices</u>
a. Partnering with Internal Organizations	(1) Official Charter with SAE (2) Delegation Scheme (3) Services Program Health (4) Services Workshop
b. Assessing Internal Requirements and the Impact of External Events	(1) Advance Procurement Planning (2) Requirements Validation Process (3) External Political Factors Anticipation (4) Early Strategies and Issues Session (5) Enterprise Vantage Point (6) Full-Time Market Intelligence Expert
<u>GAO Best Practice from Cornerstone 2, Element 2: Effectively Managing the Acquisition Process</u>	<u>AFPEO/CM Best Practices</u>
a. Empowering Cross-Functional Teams	(1) Services Program Health (2) Delegation Scheme (3) Services Workshop
b. Managing and Engaging Suppliers	(1) AFPEO/CM and Service Advocates at MAJCOM Level (2) Industry Days (3) Identifying Key Vendors
c. Monitoring and Providing Oversight to Achieve Desired Outcomes	(1) Annual Execution Review (2) Expectation Management Agreements (3) Services Acquisition Air Force Instruction
d. Enabling Financial Accountability	(1) Annual Execution Review (2) Delegation Scheme (3) Services Program Health
<u>GAO Best Practice from Cornerstone 2, Element 3: Promoting Successful Outcomes of Major Projects</u>	<u>AFPEO/CM Best Practices</u>
a. Using Sound Capital Investment Strategies	(1) Advance Procurement Planning (2) Requirements Validation Process (3) Delegation Scheme
b. Employing Knowledge-Based Acquisition Approaches	(1) Services Workshop

We answered the following supplementary research questions in this study:

- What are the primary lessons learned from working with the AFPEO/CM?

As listed in Chapter V of this report, the primary lessons learned that came out of the interviews discussed agency buy-in, clarifying agency procedural rules of engagement, learning to manage risk versus avoiding it, increasing cross-functional interaction, and developing better knowledge management systems for the future.

- What recommendations should the Army and the Navy incorporate in order to develop their senior manager position for service acquisition?

As listed in Chapter V, the primary recommendations to the Army and Navy included taking an incremental approach to standing up their senior manager for the acquisition of services offices, gauging the appropriate dollar thresholds for the office's management oversight, collecting best practices early, and finding a way to document those best practices. Additional advice was to get early top-level buy-in, utilize a robust data system early, and create a method for monitoring acquisitions after the contract is awarded (similar to the AERs and services program health briefings used by the AFPEO/CM).

The results of our research show that the AFPEO/CM has multiple best practices that can aid the Army and Navy in the creation of processes and policies for their fledgling senior manager for the acquisition of services offices. The effectiveness of these best practices has been proven based on the direct link between them and the critical success factors listed in the GAO *Framework*. There is no set way to institute these best practices and one size does not fit all. The Army and Navy must measure themselves against similar criteria and develop their offices through an incremental approach.

D. AREAS FOR FURTHER RESEARCH

Several recommendations for further research came to light during this study. We recommend that the AFPEO/CM do follow-on assessments of its best practices listed within this study as well as of any practices taken by the Army and Navy to measure their

effectiveness in regard to Cornerstone 2 of the GAO *Framework*. This study could be done internally, by outside consulting firms, or by NPS students.

In this study we did not measure the AFPEO/CM against the GAO Framework's Cornerstone 1, Organizational Alignment and Leaderships; Cornerstone 3, Human Capital; or Cornerstone 4, Knowledge and Information Management. Further research into the AFPEO/CM using these areas of the *Framework* would be beneficial to the Army, Navy, and Air Force. All elements of Cornerstones 1–4 of the GAO *Framework* should be applied to the Army and Navy senior manager for services offices in the future. Finally, best practice studies using Cornerstones 1–4 of the GAO *Framework* should be conducted for other procurement management offices within the Air Force, including but not limited to the Enterprise Sourcing Group, the AMIC, and product center PEOs.

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF REFERENCES

- Air Force Federal Acquisition Regulation Supplement (AFFARS), 48 C.F.R. ch. 53 (2002).
- Air Force Program Executive Office for Combat and Mission Support (AFPEO/CM). (2009, October). *Expectation management agreement between Air Force Program Executive Office for Combat & Mission Support (AFPEO/CM) and Air Education and Training Command* [Memorandum]. Washington, DC: Author.
- Apte, A., Apte, U., & Rendon, R. G. (2009a). Managing the services supply chain in the Department of Defense: An empirical study of current management practices. In *Proceedings of the Sixth Annual Acquisition Research Symposium: Defense acquisition in transition* (Vol. 2, pp. 279–298). Monterey, CA: Naval Postgraduate School, Acquisition Research Program.
- Apte, A., Apte, U., & Rendon, R. G. (2009b). *Managing the services supply chain in the Department of Defense: Empirical study of current management practices in the Army* (NPS-CM-09–136). Monterey, CA: Naval Postgraduate School, Acquisition Research Program.
- Apte, A., Apte, U., & Rendon, R. G. (2010). *Services supply chain in the Department of Defense: A comparison of acquisition management practices in the Army, Navy, and Air Force* (NPS-CM-10–161). Monterey, CA: Naval Postgraduate School, Acquisition Research Program.
- Apte, U., Ferrer, G., Lewis, I., & Rendon, R. G. (2006). *Managing the service supply chain in the Department of Defense: Opportunities and challenges* (NPS-AM-06–032). Monterey, CA: Naval Postgraduate School, Acquisition Research Program.
- Apte, U., & Rendon, R. G. (2007). Managing the service supply chain in the Department of Defense: Implications for the program management infrastructure. In *Proceedings of the Fourth Annual Acquisition Research Symposium: Acquisition research: Creating synergy for informed change* (pp. 582–595). Monterey, CA: Naval Postgraduate School, Acquisition Research Program.
- Assistant Secretary of the Air Force for Acquisition (ASAF[A]). (n.d.). *Acquisition of services policy* [Memorandum]. Washington, DC: Author.
- Assistant Secretary of the Air Force for Acquisition (ASAF[A]). (2003, June 3). *Management and oversight of acquisition of services process* [Memorandum]. Washington, DC: Author.

- Center for Strategic & International Studies Defense-Industrial Initiatives Group (CSIS DIIG). (2011). *Defense contract trends: U.S. Department of Defense contract spending and the supporting industrial base*. Washington, DC: Author.
- Defense Federal Acquisition Regulation Supplement (DFARS), 48 C.F.R. ch. 2 (1998).
- Department of Defense Inspector General (DoD IG). (2009). *Summary of DoD Office of Inspector General audits of acquisition and contract administration (D-2009–071)*. Washington, DC: Author.
- Director, Defense Procurement and Acquisition Policy (DPAP). (2006, February 1). *Performance-based service acquisitions (PBSA)* [Memorandum]. Washington, DC: Author.
- Director, Defense Procurement and Acquisition Policy (DPAP). (2008, September 29). *Peer review for contracts for supplies and services* [Memorandum]. Washington, DC: Author.
- Director, Defense Procurement and Acquisition Policy (DPAP). (2009, February 18). *Review criteria for the acquisition of services* [Memorandum]. Washington, DC: Author.
- Federal Acquisition Regulation (FAR), 48 C.F.R. ch.1 (2005).
- Federal Acquisition Streamlining Act (FASA) of 1994, 10 U.S.C. § 2304 (1994).
- Government Accounting Office (GAO). (2001a, May). *Contract management: Trends and challenges in acquiring services* (GAO-01–753T). Washington, DC: Author.
- Government Accounting Office (GAO). (2001b, November). *Contract management: Improving services acquisitions* (GAO-02–179T). Washington, DC: Author.
- Government Accounting Office (GAO). (2002, January). *Taking a strategic approach could improve DoD's acquisition of services* (GAO-02–230). Washington, DC: Author.
- Government Accountability Office (GAO). (2005, September). *Framework for assessing the acquisition function at federal agencies* (GAO-05–218G). Washington, DC: Author.
- Government Accountability Office (GAO). (2007, January). *DoD needs to exert management and oversight to better control the acquisition of services* (GAO-07–359T). Washington, DC: Author.

- National Defense Authorization Act (NDAA) for Fiscal Year 2002, 10 U.S.C. § 2330 (2002).
- National Defense Authorization Act (NDAA) for Fiscal Year 2006, 10 U.S.C. § 2330 (2006).
- National Defense Authorization Act (NDAA) for Fiscal Year 2010, 10 U.S.C. § 2330 (2010).
- Obama, B. (2009, March 4). Government contracting [Memorandum for the heads of executive departments and agencies]. Retrieved from http://www.whitehouse.gov/the_press_office/Memorandum-for-the-Heads-of-Executive-Departments-and-Agencies-Subject-Government
- Office of Federal Procurement Policy (OFPP). (1994, May 18). *Management oversight of service contracting* (Policy Letter No. 93–1). Washington, DC: Author.
- Patton, M. Q. (2002). *Qualitative research & evaluation methods*. Thousand Oaks, CA: Sage.
- Poussard, R. (2005, September). *Services Acquisition Reform Act acquisition advisory panel presentation* [Presentation slides]. Retrieved from <https://www.acquisition.gov/comp/aap/documents/Combat%20and%20Mission%20Support%20%20US%20Air%20Force%2009%2027%2005.pdf>
- Secretary of the Air Force (SECAF). (2006, March 9). *Contractor support approval authority policy memo 06A-002 (Reference AF/CV memo dated 9 Feb 06)* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2002, May 31). *Acquisition of services* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2003, February 7). *Management and oversight of acquisition of services process* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2006a, February 17). *Government Accountability Office (GAO) high risk area: Contract management* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2006b, August 1). *Acquisition integrity analysis* [Memorandum]. Washington, DC: Author.

- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2006c, October 2). *Acquisition of services policy* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2007, July 19). *Acquisition of services review and decision authority* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2008, December 8). *Operation of the defense acquisition system* (DoD Instruction 5000.02). Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2010a, June 28). *Better buying power: Mandate for restoring affordability and productivity in defense spending* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2010b, September 14). *Better buying power: Guidance for obtaining greater efficiency and productivity in defense spending* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2010c, November 3). *Implementation directive for better buying power—Obtaining greater efficiency and productivity in defense spending* [Memorandum]. Washington, DC: Author.
- Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]). (2011, March). *Improvements to services contracting*. Washington, DC: Author.
- United States Air Force (USAF). (2009). *Acquisition and sustainment life cycle management* (AFI 63–101). Washington, DC: Author.
- United States Air Force (USAF). (2011). About PEO/CM. Retrieved from http://ww3.safaq.hq.af.mil/factsheets/factsheet_print.asp?fsID=8695&page=1

APPENDIX A. INTERVIEW QUESTIONS

Interview Questions (consistent with the GAO Framework Cornerstone 2, Policies and Processes):

1. How do you define AFPEO/CM?
2. What was your role in the AFPEO/CM structure?

ELEMENT 1: PLANNING STRATEGICALLY

3. Who are AFPEO/CMs primary stakeholders?
4. How do you work with your stakeholders to ensure understanding and coordination?
5. Are your stakeholders receptive to working with you for their requirements?
6. How do you strategically assess service acquisition needs and develop approaches to leverage purchasing volume?
7. What is the process for reviewing acquisition plans?
8. How does your organization project new demands and policy changes?
9. What are your organization's processes for dealing with unforeseen external events and emergencies?

ELEMENT 2: EFFECTIVELY MANAGING THE ACQUISITION PROCESS

10. To what extent does AFPEO/CM use cross-functional teams?
11. How does communication flow in the cross-functional teams? (good/poorly)
12. Does AFPEO/CM encourage cross-functional teams; if so, how?
13. What is the AFPEO/CM process for identifying key vendors?
14. How does AFPEO/CM manage vendor relationships, communication and feedback?
15. How does AFPEO/CM monitor its service contracts?

16. What are the roles and responsibilities of those in AFPEO/CM who manage contract performance and oversight?

17. How does AFPEO/CM manage and record contract financial information data?

ELEMENT 3: PROMOTING SUCCESSFUL OUTCOMES OF MAJOR PROJECTS

18. What are the key metrics/benchmarks that AFPEO/CM uses to monitor its performance as an organization?

19. What are AFPEO/CM's major acquisition concerns?

20. Do you treat these acquisitions differently than others within AFPEO/CM; if so, how?

21. What recommendations would you give to the Army and Navy regarding the implementation of their own PEO for services offices?

22. Do you consider the AFPEO/CM a success story? Why/Why not?

APPENDIX B. DPAP PEER REVIEW POST-AWARD CHECKLIST

Post-Award Peer Reviews Required Documents and Elements
--

Required Documents: At a minimum, Peer Review teams shall have access to the following documents (as applicable):

1. The requirements document;
2. The business arrangement, including business case analysis;
3. Market research documentation;
4. The business clearance, including documentation of cost/price negotiation and the assessment of contractor risk in determining profit or fee.
5. Contractor surveillance documentation to include metrics, quality assurance surveillance plans; and
6. The contract and modifications thereof.

Elements to be addressed, at a minimum, in every post-award review:

1. Contract performance in terms of cost, schedule, and requirements;
2. Use of contracting mechanisms, including the use of competition, the contract structure and type, the definition of contract requirements, cost or pricing methods, the award and negotiation of task orders, and management and oversight mechanisms;
3. Contractor's use, management, and oversight of subcontractors;
4. Staffing of contract management and oversight functions; and
5. Extent of any pass-throughs, and excessive pass-through charges by the contractor (as defined in section 852 of the National Defense Authorization Act for Fiscal Year 2007, Public Law 109-364).

Elements to be addressed in post-award reviews of contracts under which one contractor provides oversight for services performed by other contractors:

1. Extent of the DoD component's reliance on the contractor to perform acquisition functions closely associated with inherently governmental functions as defined in 10 U.S.C. 2383(b)(3); and
2. The financial interest of any prime contractor performing acquisition functions described in paragraph (1) in any contract or subcontract with regard to which the contractor provided advice or recommendations to the agency.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX C. DPAP REVIEW TENETS

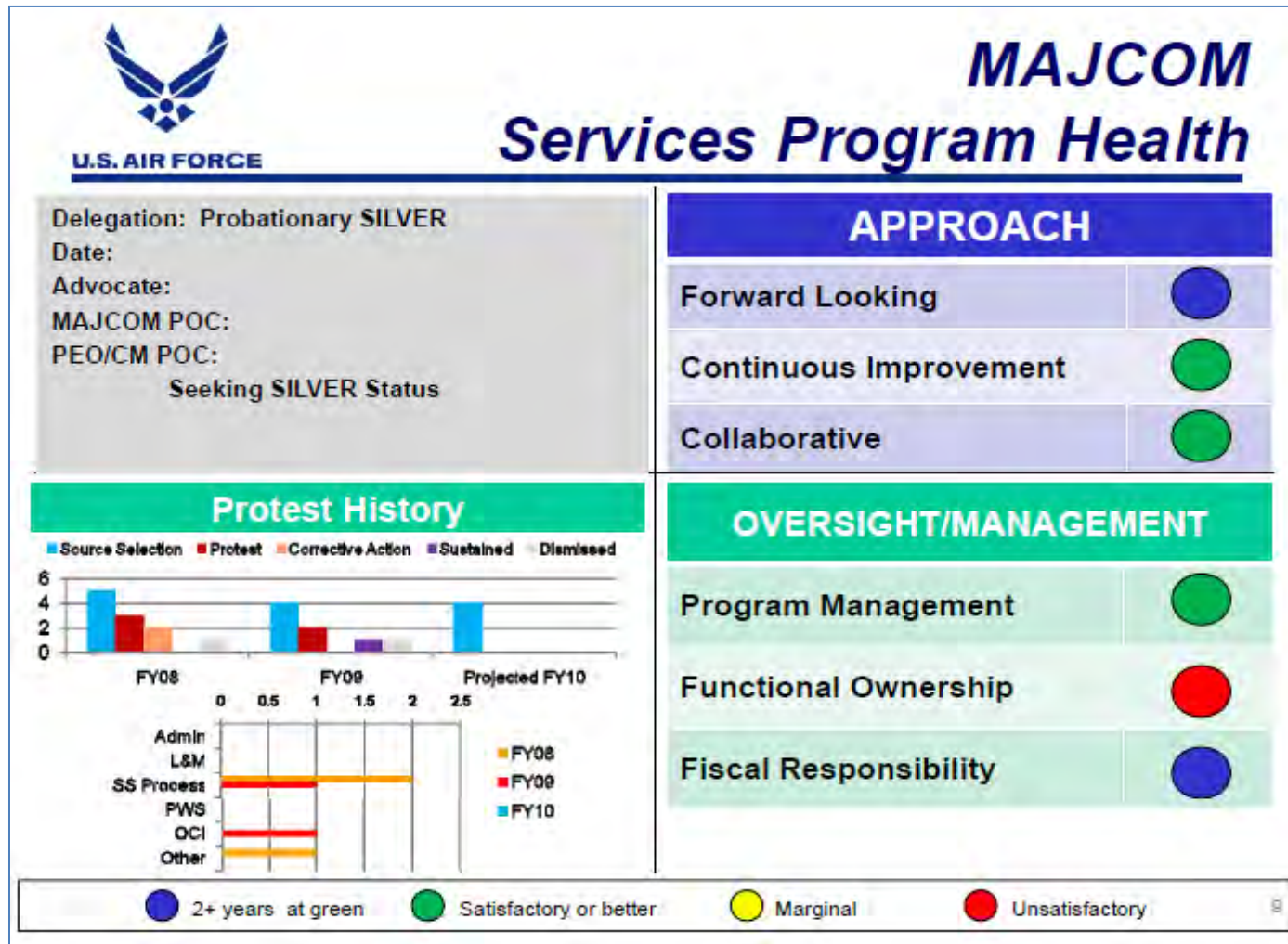
Criteria for the Acquisition of Services (Pre-Award)

	Tenet	Review Criteria:	Primarily Assessed at:
1	Acquisition Strategy: Service acquisitions should have a comprehensive acquisition strategy that reflects program objectives, leverages spend data to arrive at strategic sourcing solutions for the enterprise being supported, incorporates strategic contracting tools, is developed prior to the issuance of a solicitation (amended as applicable), and is adhered to throughout performance.	Detailed written and approved acquisition strategy	Review/Approval of Acquisition Strategy
2	Clearly Defined Requirements: Service acquisitions should use a performance work statement or statement of objectives that clearly defines the services the program seeks to receive.	Requirements clearly stated	Peer Review
3	Period of Performance: Service acquisitions should employ contract periods of performance of an appropriate length, consistent with technological dependence, industry standards, and sufficient time to reclaim program ownership (in cases with an acquisition history of a single provider) such that fair competition can occur. Service contract length should typically be 3-5 years with certain exceptions (e.g. performance-based logistics and energy-savings performance contracts).	Length of contract appropriate	Review/Approval of Acquisition Strategy
4	Appropriate Contract Type: Service acquisitions should employ contract types, CLIN and pricing structures that are appropriate for the acquisition situation. Time and materials contracts are the least preferable contract type and must be justified when used and limited (e.g. no more than 10% of the contract value).	Contract type appropriate	Review/Approval of Acquisition Strategy
5	Socio-Economic Considerations: The Department highly values small business contributions and expects maximum opportunities for small business participation.	Small business opportunities	Review/Approval of Acquisition Strategy
6	Participation Decision Points: Service acquisitions with longer periods of performance, particularly multiple award contracts, should provide for decision points (on and off ramps) to ensure that the Government has a qualified pool of contractors that will provide continuous service throughout the life of the contract.	Decision points (on and off-ramps) for longer term contracts	Review/Approval of Acquisition Strategy
7	Competition: Service acquisition requirements should be articulated in such a way to provide for maximum competition and, for multiple award contracts, throughout the life of the contract with meaningful competition for orders. Evaluation factors are tied to key program requirements.	Approach provides for robust competition	Review/Approval of Acquisition Strategy
8	Objective Incentives: Objective criteria will be utilized, whenever possible, to measure contract performance. Where objective criteria exist, and it is appropriate to also incentivize subjective elements of performance, the most appropriate contract type would be a multiple incentive type contract containing both incentive and award fee criteria.	Award/Incentive Fee set up to reward effective outcomes	Review/Approval of Acquisition Strategy
9	Inherently Governmental Functions: Acquisitions for services must address the extent of the agency's reliance on contractors to perform functions closely associated with inherently governmental functions as required by FAR Subpart 7.5, and DFARS Subpart 207.5.	Required determinations appropriately executed	Peer Review
10	Conflict of Interests: When one contractor will provide oversight for another contractor or direct work to another contractor, the acquisition documentation should address measures to reduce/eliminate potential conflict of interest.	Evaluate financial interest of support contractors, as required	Peer Review
11	Performance Management: Service acquisitions should utilize performance based characteristics to the maximum extent practicable to include measures that are directly tied to program objectives. These measures should include consideration of program cost.	Meaningful performance measures	Peer Review
12	Contract Surveillance: Service acquisitions must have assigned contracting officer representatives (CORs) that use tailored quality assurance surveillance plans to monitor contractor performance.	Appropriate program oversight	Peer Review

Criteria for the Acquisition of Services (Post-Award)


	Tenet	Review Criteria:	Primarily Assessed at:
1	Contractor Performance Assessment: Service acquisitions undergo periodic reviews to ensure the program is on course with respect to cost, schedule and performance requirements; and any necessary adjustments are made.	Program meets or exceeds established cost, schedule and performance criteria	Peer Review
2	Maintaining Competition: Multiple award service acquisitions use contracting mechanisms, including the use of competition, the contract structure and type, the definition of contract requirements, cost or pricing methods, the award and negotiation of task orders, and management and oversight mechanisms.	Robust competition for orders, appropriate contract type, well-defined requirements, appropriate cost/pricing methods	Peer Review
3	Contractor's Subcontract Management: Service acquisitions undergo periodic reviews to monitor the contractor's use, management, and oversight of subcontractors.	Contractor's subcontract management evaluated	Peer Review
4	Contract Surveillance: Service acquisitions undergo periodic reviews to ensure the appropriate staffing of Government contract management and oversight functions to include CORs.	Appropriate Government oversight personnel in place	Peer Review
5	Assessment of Excessive Pass-Through Charges: Service acquisitions undergo periodic review to evaluate the extent of any pass-throughs, and excessive pass-through charges (as defined in section 852 of the John Warner National Defense Authorization Act for Fiscal Year 2007), by the contractor.	Contractor's pass-through charges evaluated	Peer Review
6	Inherently Governmental Functions: For service acquisitions under which one contractor provides oversight for services performed by other contractors, periodic reviews evaluate the extent of the agency's reliance on the contractor to perform acquisition functions closely associated with inherently governmental functions as defined in section 2383(b)(3) of title 10, United States Code.	Evaluate appropriate performance of contractor functions (as required)	Peer Review
7	Conflicts of Interest (Financial): For service acquisitions under which one contractor provides oversight for services performed by other contractors, periodic reviews evaluate the financial interest of any prime contractor performing acquisition functions described in paragraph six in any contract or subcontract with regard to which the contractor provided advice or recommendations to the agency.	Evaluate financial interest of support contractors (as required)	Peer Review
8	Objective Incentives: For contracts with award and/or incentive fee, objective criteria will be utilized, whenever possible, to measure contract performance. Where objective criteria exist, and it is appropriate to also incentivize subjective elements of performance, the most appropriate contract type would be a multiple incentive type contract containing both incentive and award fee criteria.	Award/incentive fees are paid in a manner consistent with DoD policy, or with a corrective action plan in place to address past inconsistencies	Peer Review

APPENDIX D. MAJCOM SERVICES PROGRAM HEALTH



THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX E. SERVICES PROGRAM HEALTH FORWARD LOOKING



U.S. AIR FORCE

MAJCOM-Svs Prgm Health Forward Looking

Previous Year Rating ●

- Annual review Green
- 80% of awards on time


Current Year Update/Status ●

- 82% of awards on time
- All ASPs conducted 24 months before anticipated award date
- Anticipate in-sourcing significant portion of program X

Definition	Blue	Green	Yellow	Red
Initiates strategic acquisition planning demonstrated by timely awards Exemptions include: -- Extension of Services Clause as a result of protest -- J&A used at no fault of the organization (such as lack of Congressional funding, protests, etc)	2 or more consecutive years at a Green Rating	- 80% of awards completed before the current period of performance expires; and - zero use of "bridge J&A", unless exempted	- 60% of awards completed before the current period of performance expires; and - "bridge J&A" limited to less than 10% of awds	Use of "bridge J&A" on more than 10% of awards

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX F. SERVICES PROGRAM HEALTH CONTINUOUS IMPROVEMENT



MAJCOM-Svs Prgm Health Continuous Improvement

Previous Year Rating ●


- SA maintains copies of write-ups
- Sends occasional e-mails highlighting areas of concern

Current Year Update/Status ●

- MAJCOM maintains a database of lessons learned on a COP
- A7K has qtrly telecon with Acq team to cover potential pitfalls


Example

Definition	Blue	Green	Yellow	Red
<ul style="list-style-type: none"> - Dedicates training resources; - Consistently conducts good ASPs/ SS/post-award administration; - Creates/uses good templates; - Employs SAV/IIG/GAO/AFAA/PEO suggestions; - Quickly implements new policies requirements; - Participates in enterprise solutions <p style="margin-top: 10px;">GOLD/PLATINUM</p> <ul style="list-style-type: none"> - Conducts strategic sourcing 	<p>2 or more consecutive years at a Green Rating</p>	<ul style="list-style-type: none"> - MAJCOM has process to capture and remedy problems -MAJCOM regularly communicates identified trends to the field and PEO - MAJCOM develops info, guidance, templates, or training material to improve process - Demonstrated infusion of improvement & trend analysis 	<ul style="list-style-type: none"> - MAJCOM has process to usually capture and remedy problems - MAJCOM typically communicates identified trends to the field and PEO 	<p>No/limited tracking of lessons learned or program process trends</p>



THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX G. SERVICES PROGRAM HEALTH COLLABORATIVE PROBLEM SOLVING



U.S. AIR FORCE

MAJCOM-Svs Prgm Health Collaborative Problem Solving

Previous Year Rating ●

- IEB slides submitted late
- PEO/CM only informed of major issues – has to pulse MAJCOM for status updates
- First notified PEO of anticipated mission stoppage day prior to strike action (3 weeks after MAJCOM aware)


Current Year Update/Status ●

- Provides Qtrly written update on all programs
- Provided awareness of strike well ahead of Congressional Inquiry
- Drafts provided 15 days before event

Definition	Blue	Green	Yellow	Red
Engages in meaningful discussions with AFPEO/CM	2 or more consecutive years at a Green Rating	<u>Proactively engages</u> AFPEO/CM regularly for meaningful discussions, problem-solving, and suggestions	Issues forwarded just-in-time with minimal communication and collaboration	Fails to apprise PEO/CM of issues/program problems

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX H. SERVICES PROGRAM HEALTH PROGRAM MANAGEMENT



U.S. AIR FORCE

MAJCOM-Svs Prgm Health Program Management

Previous Year Rating ●

- AER held on-time

- Slides submitted 2 wks late


Current Year Update/Status ●

- AER held on time

- Charts on time


Example

Example

Definition	Blue	Green	Yellow	Red
Conducts timely and meaningful program reviews with quality data and analysis reflecting proper program management (e.g., CPARs/incentive/award fees reflect performance; program issues analysis and resolution plans; proper IDIQ task management within scope of TOs)	2 or more consecutive years at a Green Rating	<ul style="list-style-type: none"> - For programs ≥ \$100M: <u>meaningful Annual Execution Review (AER) conducted</u> with the SA and AFPEO/CM; - For programs ≥ SAT < \$100M: meaningful Annual Execution Review (AER) conducted with the SDO; and - AER charts submitted to AFPEO/CM on time 	<ul style="list-style-type: none"> - For programs ≥ \$100M: meaningful AER conducted with SA and AFPEO/CM; and - Submitted AER charts NLT 1 month after due date 	<ul style="list-style-type: none"> - For all programs ≥ \$100M: failed to conduct meaningful AER; or - Submitted AER charts over 1 month late 

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX I. SERVICES PROGRAM HEALTH FUNCTIONAL OWNERSHIP



U.S. AIR FORCE

MAJCOM-Svs Prgm Health Functional Ownership

Previous Year Rating ●

- One team one fight!
- DCAA, Functional, CONS, Sq, Gr & Wg/CCs all working in concert

Current Year Update/Status ●

- New MAJCOM 2-digit and Wg/CC not on board with importance services acquisition
- Contracting activity acting as PM


Example

Example

Definition	Blue	Green	Yellow	Red
Manages services acquisition as a multi-functional team, incorporating functional involvement (A4, A6, A7 etc) and program management disciplines	2 or more consecutive years at a Green Rating	<ul style="list-style-type: none"> - Programs managed by functional program management and multi-functional teams - Multi-functional involvement of Wing/Group/requirements leadership at AER 	<ul style="list-style-type: none"> - Minimal functional program management and multi-functional team involvement - Minimum program management participation at AER 	<ul style="list-style-type: none"> - Lacking evidence of functional program management and multi-functional team involvement - <i>Contracting</i> community conducts briefing at AER alone with no Wing/Group participation

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX J. SERVICES PROGRAM HEALTH FISCAL RESPONSIBILITY



U.S. AIR FORCE

MAJCOM-Svs Prgm Health Fiscal Responsibility

Previous Year Rating ●

- Solid estimates of work resulted in IDIQ being managed to the ceiling spend line
- FDO demonstrates great discernment in Award Fee determinations

Current Year Update/Status ●

- ASP conducted to discuss potential new work, determined new contract is required to meet projected work


Example

Example

Definition	Blue	Green	Yellow	Red
<ul style="list-style-type: none"> - Makes prudent incentive/award fee determinations that reflect contractor performance, etc; - Demonstrates good cost control and funds management; - Manages programs with ceiling or NTEs 	<p>2 or more consecutive years at a Green Rating</p>	<ul style="list-style-type: none"> - Incentive/Award Fee decisions clearly tied to performance - No violations of bona fide need rule (i.e. overfunding T&M) - Management of contracts to or below ceilings/NTEs - Ensures availability of appropriate funds 	<ul style="list-style-type: none"> - Incentive/Award Fee decisions mostly tied to performance - No violations of bona fide need rule (i.e. overfunding T&M) - Limited instances of exceeding ceilings/NTEs with time corrective actions 	<ul style="list-style-type: none"> - Incentive/Award Fee decisions not clearly tied to performance - Violations of bona fide need rule (i.e. overfunding T&M) - Instances of exceeding ceilings/NTEs with inadequate attempts to correct

THIS PAGE INTENTIONALLY LEFT BLANK



APPENDIX K. SAMPLE ANNUAL EXECUTION REVIEW QUAD CHART



Sample AER Quad Chart

U.S. AIR FORCE

Scope of Work:
Provides worldwide planning, site management, commodities, construction, repair, services, infrastructure and emergency support services, and limited environmental support to Air Force Bases Worldwide

Execution:

	FY06	FY07	FY08	FY09	FY10	FY11
Program Ceiling	\$34M	\$34M	\$34M	\$38M	\$38M	\$38M
Obligation						

• Total Contract Value: \$\$\$\$
 Program Ceiling: \$\$\$\$
 Program Obligation to Date:

Budget G

Cost Y

Performance

G

Status: F416XX-01-D-00XX (Awd: 17 Jul 03) (Full & Open)

- POP: 6 years (Oct 03 – Sep 09)
- Current Option: 4 of 5 (1 Oct 08 - 30 Sep 09)
- Contract: MAC IDIQ FPIF/FPAF/FFP/CPIF
 - Task Orders Completed: Actions: 80%; Obligated: 65%
 - Customer: 80% AF, 20% Other DoD
- Reconnect: - Rarmt sub. in mid-2008

CPARS	Qty	Schd	\$ Ctrl	Bus Rel	Mgt
RMB	V	V	S	E	S
CJTY	V	V	S	E	S
Ramseys	U	E	S	E	M
DotCom	E	E	S	E	S

Contract/TO/Program Issues:

Mitigation of Issues (risks):

See notes for further explanation

PCO: XYZ CONS ACO: 89 CONS FDO: 99 FTW/CC CORs (= QAEs): 3 FTE: 143

Int

Data in this box should be "as of 30 Sep"

ence

THIS PAGE INTENTIONALLY LEFT BLANK

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center
Ft. Belvoir, Virginia
2. Dudley Knox Library
Naval Postgraduate School
Monterey, California